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STATE OF MONTANA

GOVERNOR'S COMMITTEE ON REORGANIZATION  
AND ECONOMY

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STATE ENTOMOLOGIST OF MONTANA

(Report No. 6)

September 8, 1941


Prepared by  
Griffenhagen & Associates





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## REPORT ON

### STATE ENTOMOLOGIST OF MONTANA

#### Introduction:

The entomologist of Montana state college and experiment station was designated as the state entomologist of Montana by legislative act in 1907. The transfer by the legislative assembly in 1941 of the apiary functions from the department of agriculture, labor, and industry to the state entomologist has increased considerably the amount of work to be performed by this agency.

#### Functions and Activities:

The principal functions of the state entomologist are the investigation of outbreaks of insect pests injurious to plant life and the giving of instructions and demonstrations concerning insect control methods. As a part of the investigation and control work, the state entomologist cooperates with the federal authorities, who are also actively interested in the eradication of insect pests. As a related function, the state entomologist has been assigned recently the regulation of the apiary industry. This regulation consists primarily of the control of bee diseases with particular emphasis on foul brood.

#### Organization and Staff:

There are at present only two employes in the office of the state entomologist who are on the payroll of the office. One of these is the assistant state entomologist who receives \$2,400 a year, and the other is the state apiarist, whose salary is \$2,200 a year. These employes are both directly responsible to the state entomologist.

The statutes specially provide that the state entomologist shall receive no compensation for his services except his salary from the state college. He estimates that approximately thirty percent of his total working time is devoted to the activities assigned to him as state entomologist. A stenographer, paid by the college, devotes about fifteen percent of her time to the office.

The practice of making no charge against the agencies for which specific services are rendered by other state agencies makes it impossible to determine the cost of various services. The expenditures of the state college in this case are shown as greater than they actually are, while the expenditure statements of the state entomologist understate the cost of the work. Each agency should be charged for the entire cost of its operations and one agency should not be charged with the expenses of another.

#### Insect Control:

The two most menacing insect pests in Montana are the grasshopper and the Mormon cricket and the work of the state entomologist is devoted primarily to the control of these two pests. The United States department of agriculture, through its bureau of entomology and plant quarantine, also concentrates its efforts in Montana on the eradication of the grasshopper and the Mormon cricket.

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The general plan of attack used by the state entomologist in the control of the grasshopper and the Mormon cricket is, first, to conduct a survey in the late summer and fall to determine the areas where infestation is most likely to occur and then, second, during the winter, to arrange for combating the pest in the early spring and summer when the insects appear in these areas.

The plans for control include educational programs among the farmers in the area and the development of organizations that can effectively carry out the control measures, including the distribution of poison bait. The federal government furnishes most of the bait, but it does not assume the cost of distributing the materials to the farms from the shipping centers in the areas. In Montana this cost is borne by the farmers or the local governments. The contribution of the state to the program consists only of the supervision furnished by the office of the state entomologist.

The extent of the grasshopper control program is illustrated by the following tabulation of the number of tons of grasshopper bait that has been distributed in Montana during the past five years:

<u>Year</u>	<u>Number of Tons</u>
1936	3,800
1937	2,300
1938	1,600
1939	27,000
1940	21,000

During the last four years the state entomologist has cooperated with the federal government in the expenditure of the following amounts for the eradication of Mormon crickets:

<u>Year</u>	<u>Amount</u>
1937	\$ 436,881.42
1938	257,231.61
1939	136,014.24
1940	27,030.86

In addition to the grasshopper and Mormon cricket control programs, the state entomologist investigates numerous other insect pests. For instance, during the last winter considerable work was done in investigating the prevalence of, and conducting control programs for insects destroying stored wheat. A threatening outbreak of the pear psylla was also studied last year.

The statutes provide that persons appointed by the county commissioners and working under the direction of the state entomologist may enter property for purposes of controlling insect pests. Nearly every year situations are encountered by the state entomologist in which a land owner fails or refuses to cooperate with a control program, with the result that the insect breeding areas on his property are a menace to the surrounding farms. In such cases it is necessary to enter the property and carry out the necessary insect control measures.

The difficulty of such an arrangement, however, is that there is no recourse to collect the cost of the control work. Usually the farmers are required to contribute labor and transportation facilities in the insect eradication work on their own property, but the person who refuses to cooperate benefits from the control measures without making any contribution.

The first of these is the fact that the system is not self-sufficient. It requires a constant input of resources from the outside world. This is a major weakness of the system, as it makes it vulnerable to external shocks. For example, if the price of oil rises, the system will be forced to pay more for its energy needs, which will reduce its profitability.

Another major weakness is the fact that the system is not flexible. It is designed to operate in a very specific way, and it is not able to adapt to changes in the environment. This is a major problem, as the world is constantly changing, and the system must be able to adapt to these changes in order to remain viable.

Finally, the system is not transparent. It is a complex system, and it is difficult to understand how it works. This is a major problem, as it makes it difficult to identify the weaknesses of the system and to make improvements.

Item	Value
Oil	100
Gas	50
Coal	20
Electricity	10
Water	5
Food	10
Healthcare	5
Education	5
Transportation	5
Communication	5
Other	5

The second of these is the fact that the system is not sustainable. It is based on a model of growth that is not sustainable in the long run. This is a major problem, as the world's resources are finite, and the system will eventually run out of resources.

Item	Value
Oil	100
Gas	50
Coal	20
Electricity	10
Water	5
Food	10
Healthcare	5
Education	5
Transportation	5
Communication	5
Other	5

The third of these is the fact that the system is not equitable. It is based on a model of growth that is not equitable. This is a major problem, as the world's resources are distributed unevenly, and the system will eventually run out of resources for the poor.

The fourth of these is the fact that the system is not resilient. It is based on a model of growth that is not resilient. This is a major problem, as the world is constantly changing, and the system must be able to adapt to these changes in order to remain viable.

The fifth of these is the fact that the system is not sustainable. It is based on a model of growth that is not sustainable in the long run. This is a major problem, as the world's resources are finite, and the system will eventually run out of resources.

The statutes relating to noxious weed control provide that the actual cost of the work carried out on a non-cooperating owner's property shall be assessed against that property. This same kind of provision should be made to apply to insect control work.

#### Apiary Regulation:

The regulation of the apiary industry was formerly a function of the department of agriculture, labor, and industry, but insufficient funds had resulted in very little work being done in carrying out the statutory provisions. The activities of the state entomologist in the field of apiculture were started April 1, 1941. While the primary purpose of the apiary activities is the control of diseases among bees, the office of the state entomologist also devotes some time to instructing beekeepers in the methods of operating apiaries. These educational activities are specifically authorized by law.

A license fee, referred to in the statutes as a "registration" fee is required of all persons owning or possessing bee colonies. The amount of this license fee is as follows:

<u>Number of Colonies of Bees</u>	<u>Amount</u>
1 - 10	\$ 1.00
11 - 50	2.50
51 - 200	5.00
201 - 300	7.50
301 - 400	10.00
401 and over	15.00

^ This is the first year that such a license fee has been required and it is, therefore, impossible to determine accurately the amount that will be collected. Only about \$500 was collected during the first two months that the fee was in effect, and the state entomologist estimates the total for the year will be approximately \$700.

On the basis of the collections thus far, it seems that the apiary inspection work will involve expenditures considerably in excess of the amount collected from the apiary industry. One employe who receives \$2,200 a year devotes full time to this work, and in addition to his salary large expenditures are necessary to defray traveling expenses.

If the estimates of revenues from fees are correct, the large expenditure for the regulation of the apiary industry is not justified. The work is almost exclusively for the benefit of the beekeepers and the cost should properly be assessed against them, in one form or another. It is recommended that unless additional levies in the form of inspection fees or increased licenses are assessed against the apiary industry the present activities of the state entomologist in the field of apiary inspection be curtailed.

#### Receipts and Expenditures:

The only receipts collected by the state entomologist are derived from the beekeeper license fee.



1. The first of the two main groups of the population is the group of the population which is engaged in the production of goods and services. This group is the most important one for the economy of the country. It is the group which creates the wealth of the country. It is the group which provides the means of subsistence for the other groups of the population. It is the group which is the backbone of the economy of the country.

2. The second of the two main groups of the population is the group of the population which is engaged in the production of services. This group is also very important for the economy of the country. It is the group which provides the means of subsistence for the other groups of the population. It is the group which is the backbone of the economy of the country.

3. The third of the two main groups of the population is the group of the population which is engaged in the production of goods and services. This group is also very important for the economy of the country. It is the group which provides the means of subsistence for the other groups of the population. It is the group which is the backbone of the economy of the country.

4. The fourth of the two main groups of the population is the group of the population which is engaged in the production of goods and services. This group is also very important for the economy of the country. It is the group which provides the means of subsistence for the other groups of the population. It is the group which is the backbone of the economy of the country.

5. The fifth of the two main groups of the population is the group of the population which is engaged in the production of goods and services. This group is also very important for the economy of the country. It is the group which provides the means of subsistence for the other groups of the population. It is the group which is the backbone of the economy of the country.

6. The sixth of the two main groups of the population is the group of the population which is engaged in the production of goods and services. This group is also very important for the economy of the country. It is the group which provides the means of subsistence for the other groups of the population. It is the group which is the backbone of the economy of the country.

7. The seventh of the two main groups of the population is the group of the population which is engaged in the production of goods and services. This group is also very important for the economy of the country. It is the group which provides the means of subsistence for the other groups of the population. It is the group which is the backbone of the economy of the country.

8. The eighth of the two main groups of the population is the group of the population which is engaged in the production of goods and services. This group is also very important for the economy of the country. It is the group which provides the means of subsistence for the other groups of the population. It is the group which is the backbone of the economy of the country.



The expenditures of the state entomologist, exclusive of those paid by the college, in the fiscal year 1939-1940, were as follows:

<u>Class of Expenditure</u>	<u>Amount</u>
Salaries	\$ 2,713.56
Office supplies	112.17
Telephone and telegraph	108.30
Freight, express, and drayage	19.60
Travel	2,153.50
Industrial accident insurance	67.69
Grasshopper eradication	144.65
Laboratory supplies	53.00
Insurance on cars	3.00
General supplies and expense	167.50
Capital expenditures	<u>234.15</u>
	\$ <u>5,777.12</u>

The appropriation to the state entomologist for salaries and expenses for the fiscal year 1940-1941, was \$6,000. The legislature appropriated an additional amount of \$850 to carry on the apiary work from April 1, 1941 to June 30, 1941.

The appropriation for the state entomologist for each of the current biennium is \$6,000 for salaries and expenses, with an additional \$2,500 each year for salaries and expenses to be used in apiary activities. These amounts are to be supplemented by the collections from the beekeepers license, which are placed in the state beekeepers fund and are expendable without specific legislative appropriation.

#### Value and Cost of the Services Rendered:

The control of insect pests is an important service to the people of the state. It is of a direct benefit to those engaged in agriculture, but the economic effects of such control extend to all of the persons who, directly or indirectly, depend upon agriculture for a livelihood. The occurrence of a serious insect invasion is something that concerns the entire state as well as the farmers and livestock men. The amounts that are being expended on insect control in Montana are fully justified.

The apiary activities of the state entomologist are primarily of benefit to the beekeepers and would seem to be justified only as long as the full cost of the service is borne directly by the apiary industry.

The following is a list of the names of the persons who have been appointed to the various committees of the Board of Directors of the Corporation.

Name	Address	City	State
Mr. J. H. Smith	123 Main St.	New York	N. Y.
Mr. W. D. Jones	456 Broadway	New York	N. Y.
Mr. R. L. Brown	789 Third Ave.	New York	N. Y.
Mr. S. K. White	101 West 42nd St.	New York	N. Y.
Mr. T. M. Green	234 Fifth Ave.	New York	N. Y.
Mr. P. Q. Black	567 Sixth Ave.	New York	N. Y.
Mr. U. V. Grey	890 Seventh Ave.	New York	N. Y.
Mr. X. Y. Blue	1122 Eighth Ave.	New York	N. Y.

The following is a list of the names of the persons who have been appointed to the various committees of the Board of Directors of the Corporation.

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THE BOARD OF DIRECTORS OF THE CORPORATION

The following is a list of the names of the persons who have been appointed to the various committees of the Board of Directors of the Corporation.

The following is a list of the names of the persons who have been appointed to the various committees of the Board of Directors of the Corporation.

Summary of Recommendations:

The recommendations, expressed or implied, in this report may be summarized as follows:

- (1) That, in setting up the budget for the next biennium, provision be made for all of the expenses of operating the office of the state entomologist to be charged against that office, through an assessment by the college for the cost of the services it pays for originally.
- (2) That the apiary activities be curtailed unless additional collections are received from bee owners.
- (3) That the cost of carrying out insect control work on the property of a person failing or refusing to cooperate in the general control program in the area in which the property is located be assessed against the property. (This would require legislative action.)
- \*\*\* (4) That the designation of the state entomologist in such a way as to make the office a separate legal entity be dropped and the responsibilities and functions of the office be vested directly in the Montana State College.

\*\*\* Recommendation approved by the Committee and recommended by the Governor for legislative action.



STATE OF MONTANA

GOVERNOR'S COMMITTEE ON REORGANIZATION  
AND ECONOMY

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STATE BOARD OF HAIL INSURANCE  
(Report No. 9)

September 11, 1941

Prepared by  
Griffenhagen & Associates



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## REPORT ON

### STATE BOARD OF HAIL INSURANCE

#### Introduction:

Three states of the Union are in the hail insurance business -- North Dakota, Colorado, and Montana. Montana started this enterprise in 1917, and 1940 marked the twenty-second consecutive year in which all losses were paid in full. The state evidently assumed the function of insuring crops against losses resulting from hail partly as a means of regulating the rates of insurance companies and partly as means of subsidizing the farmers of the state by assuming part of the administrative costs involved in writing hail insurance. Insurance company rates for hail insurance are now approximately the same as the rates set by the state board of hail insurance, and the board probably writes less than one-fourth of the total business done in the state.

#### Functions and activities:

The state board of hail insurance is charged with the responsibility of furnishing protection against loss by hail "at the actual cost of the risk" to all farmers of the state electing to take advantage of the provisions of the law. The performance of this function involves carrying on the following major activities:

- (1) Determination of premium rates, including the compilation of statistics on risks carried, premiums charged, and losses paid by geographical areas as a basis for rate fixing.
- (2) Supervision of the acceptance of applications and the issuance of policies by county assessors.
- (3) Supervision of the collection of premiums through the county treasurers.
- (4) Adjustment of claims for losses and their certification for payment.

#### Organization and Staff:

The state board of hail insurance comprises five members. Three members are appointed for three-year, overlapping terms by the governor from names submitted by duly organized farmer societies in the state. One of these members is designated by the governor as chairman of the board. The other two board members are the state treasurer and the commissioner of agriculture, labor, and industry, both of whom serve ex officio. The chairman of the board receives a statutory salary of "\$250 per month while actually engaged in service," as the administrative officer of the board. The other two appointive board members receive a per diem for attending meetings of the board (fixed at seven dollars by the board), while the ex officio members receive no extra compensation. The appointive board members are subject to removal for cause by the governor.

The full-time staff of the agency consists of the chairman of the board and one clerk, who receives a salary of \$1,800 per year. The present board chairman has been in office since 1917, and the present clerk has been employed since 1918. The staff is augmented by a temporary stenographer during the peak period in the summer months and by thirteen adjusters working from time to time on an hourly wage basis at 80 cents an hour.



During the winter months, the agency certainly does not have enough necessary work to occupy the full time of two employees. The statute seems to recognize this situation in setting the salary of the chairman of the board at "\$250 per month while actually engaged in service." It would appear that the board could save part of its administrative expense by adopting the policy of paying for the services of the chairman only when his services were absolutely necessary. Undoubtedly, his services could be used in other agencies of the state government to meet their seasonal needs during seasons when the work of the board of hail insurance is light.

#### Collection of Premiums:

The state hail insurance plan may be accepted voluntarily by any farmer with insurable crops, but once the farmer elects to take advantage of the provisions of the law, the premium charge for the insurance becomes collectible in a manner similar to that followed in the case of property taxes. The "premium tax" is a lien both on the land and the crop of the insured (except that the crop lien does not apply if the land is unencumbered). As would be expected under this set of circumstances, the state board of hail insurance does not collect as high a percentage of its premiums, currently, as do the hail insurance companies. Although the amount of delinquent accounts outstanding has decreased somewhat during the past four years, these accounts represent about 70 per cent of the assets of the fund administered by the board. The delinquencies outstanding as of December 1, 1940, as taken from the records of the board, are shown in the following tabulation:

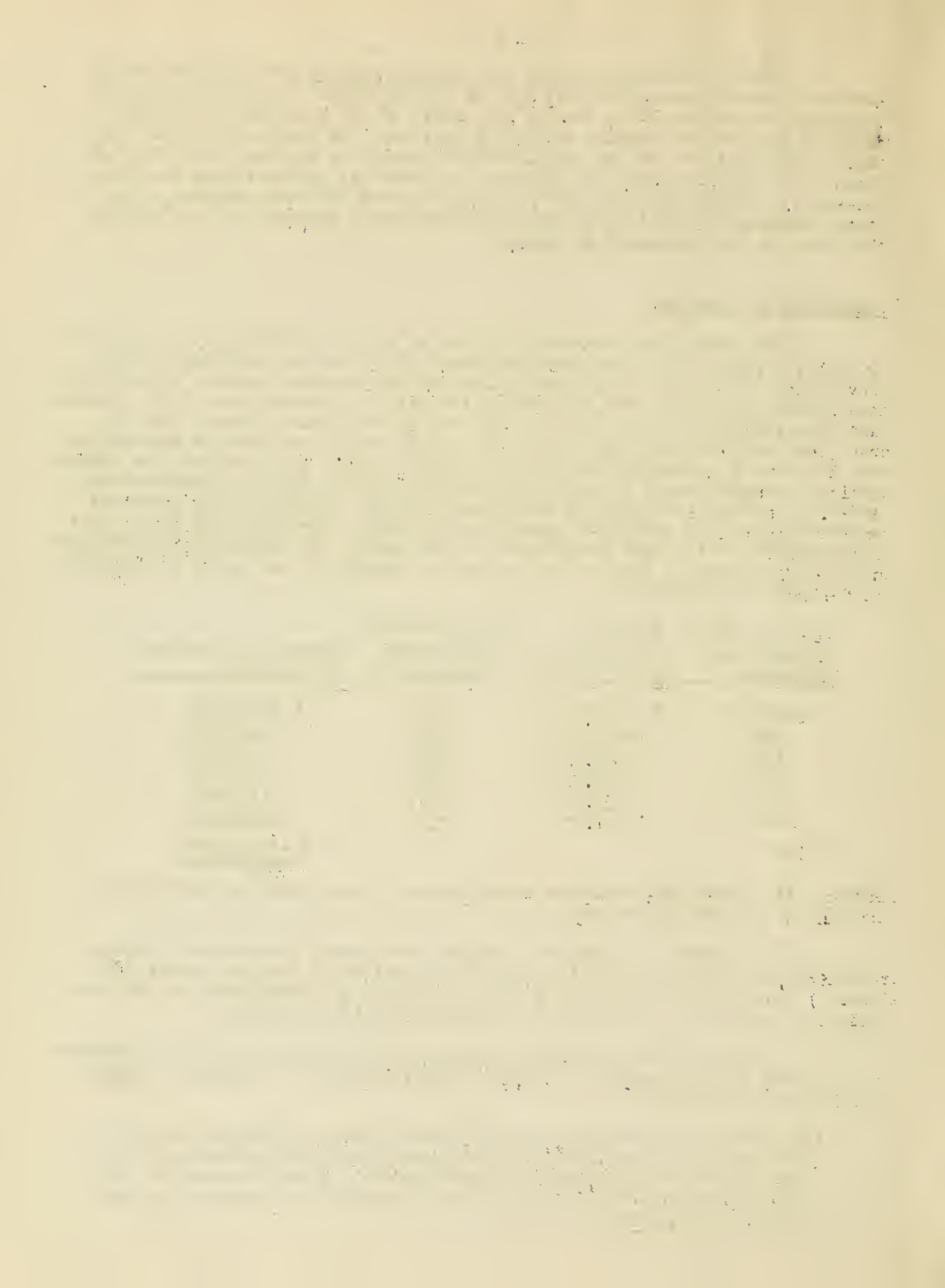
<u>Year for Which Premium was Delinquent</u>	<u>Amount of Delinquency as of 12-1-40</u>	<u>Year for Which Premium was Delinquent</u>	<u>Amount of Delinquency as of 12-1-40</u>
1917-1929	\$ 87,020.52	1935	\$ 10,548.38
1930	24,365.56	1936	2,487.82
1931	1,600.64	1937	1,675.69
1932	8,422.78	1938	26,760.57
1933	4,698.49	1939	4,798.28
1934	1,111.21	1940	<u>3,857.04</u>
Total			<u>\$ 177,346.98</u>

Most of the larger delinquencies may be traced to low prices or crop failures resulting from drought or rust.

The amount of delinquent premium taxes unpaid has reached alarming proportions, since this amount is now the equivalent of some two years' premiums. Vigorous prosecution of collections, using all legal means at the disposal of the board, is called for in dealing with this situation.

The accumulation of future delinquencies might be avoided in a measure by a change in the statute. The statute providing for hail insurance contains the following provision:

"No owner of land who has more than one (1) year's delinquent taxes on his land shall be allowed hail insurance under the provisions of this act, unless his application is accompanied by a cash payment for the amount that would be due on said application in the event of a maximum levy for that year."



Thus, it is possible for an individual to re-insure after having failed to pay the premium for the prior year's insurance. The statute should be changed to prohibit re-insurance (unless the application is accompanied by cash) in those cases in which the hail insurance premiums for the previous year have not been paid.

During the past several years, the board has followed the policy of compromising delinquent premiums in cases in which it deemed some adjustment justifiable. In 1940, these compromises reached an all-time high of \$7,446.17. There is no specific statutory authority for such compromises, but the board's action is based on an attorney general's opinion which holds that the premiums are not taxes in the ordinary sense of the word and that for this reason the board might effect adjustments in individual levies. This opinion was given over fifteen years ago.

In view of the general tendency of legislative bodies to refrain from vesting extensive authority to compromise amounts due the state in administrative officials, and in view of the danger of abuse of such power, it would seem that this opinion of a former attorney general would bear review. Although the hail insurance premiums may not be taxes in the ordinary sense of the word, the statutes provide for their collection under the ordinary tax-collecting machinery, and the amount, once voluntarily fixed, becomes payable by an involuntary process. Since the liens established, if vigorously prosecuted, could be expected to yield the amount of any delinquent premiums the need for compromise is questionable. Too liberal a policy in this respect might have a tendency to encourage delinquencies.

#### Receipts and Expenditures:

During the fiscal year 1940, the receipts of the hail insurance fund amounted to \$91,587.73. Expenditures, including the payment of loss claims and administrative expenses amounted to \$59,520.88. The balance in the fund at the end of the year was only \$67,711.51, even though losses during the fiscal year 1939-1940 were light. In this connection, it should be noted that the assets of the fund, exclusive of the unpaid delinquent accounts, constitute only a relatively small reserve against heavy losses. In the event of heavy losses in two consecutive years there might be difficulty in meeting claims, unless steps are taken to collect more of the delinquent accounts.

The administrative expenditures of the board for the 1940 fiscal year, as shown in the 1941 legislative budget, are listed in the following tabulation:

<u>Object of Expenditure</u>	<u>Amount Expended Fiscal Year Ended June 30, 1940</u>
Operating expenses:	
Salaries	\$ 4,741.16
Per diem of board members	63.00
Wages of adjusters	2,086.11
Travel	3,443.87
Postage	570.00
Stationery, record books, and blanks	490.78
Sundry office supplies	67.27
General supplies and expenses	18.58
Printing and binding	342.20





<u>Object of Expenditure</u>	<u>Amount Expended Fiscal Year Ended June 30, 1940</u>
Operating Expenses (Cont'd)	
Legal advertising	\$ 69.46
Office rent (paid to state)	300.00
Telephone and telegraph	282.35
Freight, express, and drayage	29.32
Official bonds	151.67
Insurance on car	29.64
Industrial accident insurance	15.99
Subscriptions and periodicals	<u>4.00</u>
Total operating expenses	\$ 12,705.40
Capital outlays, repairs, and replacements	<u>58.80</u>
Total expenditures (administrative)	<u>\$ 12,764.20</u>

The foregoing total plus \$46,756.68 of losses paid during the year gives the total expenditures of \$59,520.88 mentioned in the preceding paragraph. The administrative expenditures are limited by legislative appropriations in specific amounts from the hail insurance administrative fund. This fund is financed by transfers from the hail insurance fund, which in turn is financed by collections of "premium taxes." It is worthy of mention that the hail insurance fund receives important services for which no payments are made - notably, the services of the county treasurers, the county assessors, the county attorneys, and the state fiscal officers.

#### Value and Cost of Services Rendered:

The state is in the hail insurance business in competition with private companies. The question of whether or not this is a proper function for the state to assume is one of legislative policy beyond the scope of this report. As a regulatory device, this state competition has undoubtedly lowered hail insurance rates in the state. The cost of conducting the business, in so far as this cost is reflected in the charges against the fund, has averaged approximately 11 per cent of the premiums charged over a twenty-one year period, which does not appear to be unreasonable when compared with the premium return percentage effected under insurance company contracts. It is apparent, nevertheless, that the administrative expenses of the board could be lowered slightly by the devices suggested earlier in this report.

More important than the possibility of minor reductions in operating costs as reported is the question of policy raised by the practice of making no charge against the money collected for the very extensive services rendered by county and state officers in the handling of policies, moneys, and accounts for the board. Charges against the funds of the board to offset these costs would be fully justified, if the legislature should choose to adopt such a policy. If these were put on a commission basis for county officers, it might partly solve the problem of delinquent accounts by encouraging more vigorous efforts in making collections.





Summary of Recommendations:

The recommendations expressed or implied in this report may be summarized as follows:

Recommendations not Requiring Legislation:

- \*\* (1) That the board use all legal means at its disposal to enforce collection of delinquent accounts.
- (2) That the attorney general's opinion, dated over fifteen years ago, regarding compromises of delinquent "premium taxes" be re-examined; and that the policy of accepting compromise payments be strictly curtailed.
- (3) That the administrative expenses of the agency be reduced by employing the chairman of the board only when absolutely necessary and by using his services in other agencies of the state government to meet their peak loads of work.

Recommendations requiring Legislation:

- \*\*\* (4) That the statute allowing re-insurance when the previous year's premium has not been paid be changed to prevent such re-insurance unless the prior year's premium has been paid.
- \*\*\* (5) That the state board of hail insurance be permitted by legislation to reinsure with private companies.

\*\* Recommendation approved by Committee and Executive Order issued by Governor.

\*\*\* Recommendation approved by Committee and recommended by the Governor for legislative action.

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STATE OF MONTANA  
GOVERNOR'S COMMITTEE ON REORGANIZATION  
AND ECONOMY

LIVESTOCK SANITARY BOARD  
(Report No. 12)

September 16, 1941

Prepared by  
Griffenhagen & Associates



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## REPORT ON

### LIVESTOCK SANITARY BOARD

#### Introduction:

The livestock sanitary board was established in its present form, by statute, in 1921. Its membership is the same as that of the livestock commission. However, the staff of the livestock sanitary board is entirely separate from that of the livestock commission. The livestock commission is primarily concerned with promotion of the general interests of the livestock industry and particularly with the prevention, detection, and prosecution of thefts of livestock. The livestock sanitary board concerns itself with the control of diseases of livestock.

#### Functions and Activities:

The basic functions of the livestock sanitary board are to prevent, control, and eradicate diseases of livestock and poultry, and to control the standards and sanitary conditions under which livestock products are produced or processed for human food. Specifically, the board carries on the following principal activities:

Field investigation and diagnosis of diseases in livestock, including routine testing for tuberculosis and Bang's disease.

Initiation and enforcement of quarantine and other eradication measures with reference to contagious, infectious, or communicable diseases of livestock.

Operation of a laboratory for diagnosis, for analysis of milk, and for the manufacture of biologic products when necessary.

Inspection and licensing of dairies, milk plants, and slaughter houses.

Inspection of meat.

Investigation of diseases in poultry.

#### Organization and Staff:

Board and Executive Officer: The livestock sanitary board appoints a chief executive officer who acts as the state veterinary surgeon. The statutes provide that the chief executive officer shall be a graduate of a recognized school of veterinary medicine and licensed to practice as a veterinarian in the state. All of the employes of the board are appointed by the executive officer with the approval of the board.

The state veterinary surgeon is ex officio chairman of the state milk control board, and is also an ex officio member of both the state board of entomology and the stallion registration board. These agencies are discussed in other reports of this series.

The relationship between the board and the executive officer seem to be satisfactory. The executive officer is performing all of the administrative work of the agency, and at the same time is keeping the board sufficiently well informed of the activities of the agency. The board is not





attempting to exercise administrative functions but is limiting its activities to formulating policy and, when circumstances require, acting as an appeal board.

Use of Private Practicing Veterinarians: In order to provide, at all times, complete coverage of the state by qualified veterinarians, the board has found it necessary to make use of private practicing veterinarians. These veterinarians are employed on a per diem basis at such times as the executive officer decides that the purposes of the board would be served by their employment. In some areas of the state where the volume of work is small and the cost of travel would be large if the regularly employed veterinarians of the board were used, the private practicing veterinarians do most of the work done by the board. In other sections, private practitioners are employed only during times of emergency.

The extent to which private practicing veterinarians were used during the fiscal year 1940-1941 may be shown as follows:

<u>Location</u>	<u>Closest State Veterinary Surgeon</u>	<u>Payments in Fiscal Year 1940-1941</u>			
		<u>Disease Inves- tigation and Milk Control</u>	<u>Meat Inspection</u>	<u>Total Per Diem</u>	<u>Travel Expense</u>
Whitefish	Kalispell	\$ 30.00	\$ -	\$ 30.00	\$ 26.49
Kalispell	Kalispell	30.00	15.00	45.00	4.70
Missoula	Missoula *	20.00	495.00	515.00	9.94
Missoula	Missoula *	530.00	85.00	615.00	129.76
Hamilton	Missoula *	405.00	2,317.84	2,722.84	151.00
Dillon	Dillon	310.00	-	310.00	128.25
Twin Bridges	Dillon	915.00	-	915.00	287.81
Bozeman	Livingston	55.00	1,014.30	1,069.30	26.03
Absarokee	Billings	75.00	-	75.00	19.77
Miles City	Glendive	1,315.00	-	1,315.00	910.31
Poplar	Glasgow	30.00	-	30.00	20.53
Lewistown	Great Falls	670.00	-	670.00	492.93
Great Falls	Great Falls	10.00	1,883.76	1,893.76	-
Great Falls	Great Falls	165.00	110.00	275.00	151.51
Great Falls	Great Falls	320.00	130.00	450.00	136.61
Great Falls	Great Falls	50.00	-	50.00	6.20
Total		<u>\$4,930.00</u>	<u>\$6,050.90</u>	<u>\$10,980.90</u>	<u>\$2,501.84</u>

\*Veterinary meat inspector, but no district veterinarian assigned

On the basis of the expenditures during the fiscal year, 1940-1941 it would seem that another full-time veterinarian should be placed in the Missoula area. It will be noted that the total fees paid to one of the private practicing veterinarians in the Missoula area was \$2,722.84 and that two others were each paid more than \$500. Most of the district deputy veterinarians on a full-time basis receive only \$2,400 a year.

In general the policy of hiring private practitioners on a fee basis seems to be satisfactory in this agency and should be continued. Nevertheless, care should be taken to prevent any unnecessary employment of persons on a fee basis where the work could be done at less expense by a full-time veterinarian.



Internal Organization: The staff and internal organization of the livestock sanitary board, as shown in outline form, is as follows:

<u>Title of Position</u>	<u>Yearly Salary Rate</u>
State veterinary surgeon and executive officer	\$ 5,000
Secretary to executive officer	1,680
Chief clerk	1,980
Bang's disease clerk and laboratory clerk	1,500
State dairy inspector	2,400
Sheep inspector (part time)	10 a day
Chief deputy veterinary surgeon	3,600
Deputy state veterinary surgeon	2,700
District deputy veterinary surgeon (8)	2,400
Deputy state veterinary surgeon (part time)	1,200
Resident deputy state veterinarian (The number of these positions varies. Nearly all of the licensed veterinarians in the state are subject to assignment to special work when circumstances make it expedient.)	10 a day
Veterinary pathologist (responsible also to director of experiment station)	4,500
Deputy state veterinarian	2,700
Lay inspector	1,800
Chemist	3,000
Assistant chemist (seasonal - approximately four months during the summer)	1,080
Bacteriologist and pathologist	2,700
Veterinary medical technician	1,620 *
Laboratory assistant	1,500
Laboratory assistant (temporary for 90 days)	1,200

\*Including \$1,260 from the United States Department of Agriculture.

Nearly all of the employes are responsible directly to the executive officer. Under ordinary circumstances this would be undesirable. The present executive officer, however, is especially well informed as to the activities of the board and the problems with which it must deal. He has worked with the livestock men of the state for many years, and is well acquainted with them and with the conditions under which they must work. In addition to his extensive experience in dealing with the livestock problems of Montana, he has become thoroughly familiar with the advanced principles and practices of veterinary medicine.

No change in the internal organization of the staff is suggested as long as the present incumbent remains in the position of executive officer. If there should be a change in the incumbency of the position of executive officer, the present organization would not be satisfactory. In case of such a change it is recommended that the chief deputy veterinary surgeon be made administratively responsible for all of the district veterinary surgeons. All of the field work of the board should be under his direction. In addition to this change, it is suggested that all of the laboratory work be placed under the supervision of one person. These changes would not result in any additions to the staff but would mean only the reassignment of duties and responsibilities. The executive officer would then have assistants to whom he would delegate the responsibility for supervising the various parts of the activities of the board.



### Livestock Disease Control:

The most important function of the livestock sanitary board is the control of livestock diseases. The fundamental policy of the board is to prevent the outbreak of contagious disease among the livestock of Montana rather than to render treatment to diseased animals. The effectiveness of the work carried out under such a policy cannot be determined by the number of animals vaccinated or by the number of diagnoses made during a certain period. The best criterion of the efficacy of the service is the prevalence of disease in the state. From this point of view, the livestock sanitary board is doing an excellent job in Montana.

An outstanding example of the disease prevention service of the livestock sanitary board is to be found in the almost complete eradication of tuberculosis in the cattle of the state. The entire state has been certified by the United States department of agriculture as a modified tuberculosis free area. During the year 1940 a total of 35,252 head of cattle were tested and tuberculosis was found in less than one-half of one percent of this number. Of course, continuous vigilance is required on the part of the board to prevent the outbreak and spread of this disease.

The example of the eradication of bovine tuberculosis is mentioned only to illustrate the results being obtained by the livestock sanitary board in the control of livestock disease. A large number of other diseases are receiving the constant attention of the board, and in most cases excellent progress is being made. In view of the fact that the livestock sanitary board is rendering outstanding service in this field with a relatively small staff compared to the size of Montana, it seems that a detailed analysis of the work being done along these lines is not called for.

### Laboratory and Research:

The laboratory and research activities of the livestock sanitary board are closely related to, and are conducted as integral parts of, the livestock disease control program. Bacteriological, pathological, and chemical analyses are made at the laboratories of the board in Helena. Use is also made, for research purposes, of the laboratory of the experiment station of Montana State College at Bozeman. Especial emphasis is placed on research in sheep diseases at this laboratory. The United States department of agriculture through the bureau of animal industry contributed \$105 a month to the salary of a laboratory technician in order to promote this research work.

In connection with the dairy inspection work of the board, milk samples are tested and analyzed at the laboratories in Helena. There are few other laboratories in the state that have the equipment and staff to perform the tests that are necessary in an effective milk control program.

### Dairy Inspection:

The livestock sanitary board is responsible for the regulation of the production and distribution of fluid milk in the state. This dairy inspection work is carried out by the veterinarians in connection with their livestock disease control activities. The standards of the United States public health service are used as a guide in making inspections and are enforced insofar as it is practicable. These standards, however, are not complied with in their entirety by the dairies of the state. The principal difficulty en-





countered by the board in the dairy inspection work is that it is impossible to visit the dairies as often as would be desirable. The area of the state is large compared to the number of veterinarians who must carry out the livestock disease control program as well as inspect the sanitary condition of the dairies. Because of the lack of facilities for an intensive program the primary emphasis is placed on the elimination of diseased cattle from dairy herds, rather than on dairy plants or the handling of milk.

The regulation of the entire dairy industry is not the responsibility of the livestock sanitary board. The sanitary inspection of dairy products manufacturing plants is assigned by statute to the department of agriculture, labor, and industry. Through its dairy division, this department is concerned primarily with the sanitary conditions of plants manufacturing ice cream, butter, and cheese. However, most of these plants also handle fluid milk. The Montana milk control board has certain price and trade practice regulatory powers over the dairy industry, but it does not engage in any sanitary inspection activities.

The state board of health in its state organization does not carry on any activities in the sanitary regulation of the dairy industry even though it is responsible for the administration of the state pure food and drug act, which includes milk with all other food products. Three county health units, however, maintain staffs for the sanitary inspection of dairies, and these units have the facilities necessary for making bacteria counts of milk. Apparently there is close cooperation between these local health units and the livestock sanitary board in their respective milk inspection activities.

The problems involved in maintaining an adequate supply of wholesome milk are among the most important public health problems in any community. It is highly desirable that the state and local public health authorities be thoroughly familiar with the sanitary conditions existing in the dairy industry and the control measures being undertaken, even though they are not legally responsible for the regulation of the industry. There should be a close relationship between the state board of health, the local health units, the livestock sanitary board, and the department of agriculture, labor, and industry in the sanitary inspection of dairies and plants manufacturing or distributing milk products.

The statutes require that in addition to its dairy inspection program the livestock sanitary board shall issue certain licenses to fluid milk producers and distributors. These licenses and the fees for each, as specified in the statutes, are as follows:

Condensed, evaporated, or powdered milk factories having an output of less than 500,000 pounds - \$5

Condensed, evaporated, or powdered milk factories having an output of more than 500,000 pounds - \$25

Milk plants - \$25

Dairies of less than 20 cows - \$1

Dairies of more than 20 cows - \$2.50

#### Meat Inspection:

The livestock sanitary board does not engage in an extensive program of meat inspection. With the exception of one city in the state, all meat





inspection is on a voluntary basis. In Missoula and an area of ten miles surrounding the city, meat inspection is compulsory, but in the remainder of the state inspections are made only on request of the owner of the meat. Most of the meat inspection work is done by veterinarians, but one lay meat inspector is employed in Missoula. The veterinarians who are engaged in private practice are often employed by the board on a per diem basis to do some of this work.

Fees are charged for all of the meat inspection work done by the board. In all parts of the state except Missoula the rate is \$10 a day with a minimum charge of \$4 for a part of a day. In Missoula the fees are charged on the basis of the number of animals inspected. The rates are as follows:

<u>Type of Animal</u>	<u>Rate</u>
Cattle and yearlings	\$ .50
Calves	.30
Hogs	.30
Sheep and lambs	.20
Goats	.20

The development of any extensive meat inspection program for Montana is considerably handicapped by the large area of the state and the relatively small number of animals slaughtered. The cost of maintaining a qualified inspector to perform a small number of inspections is almost prohibitive.

Federal meat inspection is available in only two cities of the state. The state does not enforce the same standards as required by the federal inspectors, but they are followed in so far as it is practicable for small plants to comply with them. The principal weakness of the state inspection, where it is carried on, is in connection with manufactured meat products and by-products for which inspectors are not available.

A state license is required of all persons operating slaughter houses. The fee for these licenses is one dollar a year. During 1940 the livestock sanitary board issued 48 such licenses.

#### Receipts and Expenditures:

The statutes provide for the establishment of two special funds for the use of the livestock sanitary board. The first of these is known as the state livestock sanitary board fund, and the second is designated as the state livestock sanitary board emergency fund.

The receipts from the slaughter house licenses, the fees charged for inspecting cattle imported into the state, the fees for meat inspections, and the proceeds of a general ad valorem tax levied on all of the livestock of the state are deposited to the credit of the state livestock sanitary board fund. The maximum of the general levy on livestock is set by the statutes at one and one-half mills, but the amount to be levied, within this maximum, is determined by the state board of equalization upon the recommendation of the livestock sanitary board. This fund is used for the payment of indemnity on slaughtered animals and also for the expenses of the board in investigating and controlling livestock diseases.

The amount of receipts from each of the individual fees and from taxes are not readily available, but the total collected for the state livestock sanitary board fund in the fiscal year 1939-1940 was \$31,568.58.



The state auditor is authorized to transfer from the state livestock sanitary board fund to the state livestock sanitary board emergency fund such amounts as the livestock sanitary board may designate. The cash balance in this latter fund as of June 30, 1941, was \$39,980 and the fund also held investments carried on the books at \$7,500. The board is empowered to expend this fund whenever it determines that a livestock disease emergency exists.

The dairy license fees collected by the livestock sanitary board are deposited in the general fund of the state. During the fiscal year 1939-1940 the board collected \$1,644.95 from this source, and in 1940-1941 the collections amounted to \$1,470.41.

The expenditures of the livestock sanitary board in the fiscal year ended June 30, 1940, were as follows:

<u>Class of Expenditure</u>	<u>Amount</u>
Administration:	
Personal services	\$ 46,435.92
Ordinary recurring expenses other than personal services	23,242.14
Capital outlays	<u>626.14</u>
Total administration	\$ <u>70,304.20</u>
Livestock Laboratory:	
Personal services	\$ 8,079.22
Ordinary recurring expenses other than personal services	2,103.73
Capital outlays	<u>429.72</u>
Total, livestock laboratory	\$ <u>10,612.67</u>
Veterinary research laboratory:	
Personal services	\$ 1,875.00
Ordinary recurring expenses other than personal services	<u>23.35</u>
Total, veterinary research laboratory	\$ <u>1,898.35</u>
Indemnities for slaughtered livestock	\$ <u>1,829.17</u>
Total expenditures	\$ <u><u>84, 644.39</u></u>

The appropriation made by the legislature to the livestock sanitary board for the fiscal year 1940-1941 was \$55,000 from the general fund, and this same amount is made available for each fiscal year of the current biennium. In addition, the board is authorized to make expenditures from the state livestock sanitary board fund and the state livestock sanitary board emergency fund without specific legislative appropriation. These additions will permit expenditures of approximately the same amount as in the year ended June 30, 1940.

Value and Cost of Services Rendered:

The control of disease among livestock is a highly important service of the state government. It is not only of benefit to one of the large industries of the state, but it is also of importance in preventing the spread of certain diseases from animals to humans. The present expenditures of the live-



stock sanitary board for disease control activities, which are defrayed in part by a direct assessment on the livestock industry, are not excessive and are fully justified.

The meat and dairy inspection services of the livestock sanitary board are not as effective as might be desirable from a public health standpoint. However, the expansion of these programs would involve a large increase in expenditures. It is probably not possible or desirable to make the receipts from licenses and fees cover the entire cost of either meat or dairy inspections. It seems a matter of policy for the people of the state to determine whether or not they desire to improve these services at a rather large increase in cost.

In conclusion it may be stated that, within the limitations of the funds available, the board seems to be doing an excellent job. As a result, the only suggestions made in this report for changes in any matters of internal organization and procedure are of very minor significance.

#### Summary of Recommendations:

The recommendations expressed or implied in this report, none of which requires legislative action, may be summarized as follows:

- \* (1) That the present organization be continued unless there should be a change in the incumbency of the office of state veterinary surgeon.
- \* (2) That if there is a change in the incumbency of the office of state veterinary surgeon, the chief deputy veterinary surgeon be made administratively responsible for all of the district veterinary surgeons; and that all of the laboratory work be placed under the supervision of one person.
- (3) That another full-time veterinarian be employed in the Missoula area, providing the volume of work in that area continues to be as large as it was during the fiscal year 1940-1941.
- \* (4) That the livestock sanitary board, the state board of health, the local health units, and the department of agriculture, labor, and industry maintain a close cooperative relationship in the sanitary inspection of the dairy industry.

\* Approved by the Governor's Committee on Reorganization and Economy.

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COUNCIL

STATE OF MONTANA

GOVERNOR'S COMMITTEE ON REORGANIZATION  
AND ECONOMY

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LIVESTOCK COMMISSION

(Report No. 19)

October 8, 1941

Prepared by  
Griffenhagen & Associates





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## REPORT ON LIVESTOCK COMMISSION

### Introduction:

The livestock commission was created in its present form by legislative act in 1917 through the consolidation of the board of stock commissioners and the board of sheep commissioners. The board of stock commissioners had been created originally in 1885, and the board of sheep commissioners had been established in 1897.

The members of the livestock commission also constitute the livestock sanitary board, but the administrative staffs of these two agencies are separate and distinct in spite of the fact that they are governed by boards with identical membership.

### Functions and Activities:

The primary functions assigned by statute to the livestock commission are to exercise general supervision over the livestock industry, and as far as possible, to protect livestock from theft and disease. In addition to these primary functions, the statutes specify that the destruction of wild predatory animals shall be conducted under the supervision of the livestock commission.

In carrying out these general functions prescribed by the statutes, the livestock commission engages in the following activities:

- (1) Recording of brands and of chattel mortgages held against these brands
- (2) Maintaining records concerning the movement of cattle across county or state lines and issuing certificates authorizing such movements
- (3) Maintaining inspection service at primary markets to determine legal ownership of livestock
- (4) Carrying on inspections and investigations involved in the enforcement of the livestock laws of the state
- (5) Administering the stock estray laws of the state including the receiving of money to be held in trust from the sale of livestock where the ownership is undetermined or in dispute



- (6) Paying bounty claims for the destruction of predatory animals
- (7) Hiring hunters and trappers and cooperating with private organizations, the federal government, local governments, and other state agencies in the eradication of predatory animals.

#### Organization and Staff:

The livestock commission comprises six members appointed by the governor, by and with the consent of the senate, for terms of six years. The terms of two members expire each second year. Each member at the time of his appointment must be an owner of cattle, sheep, or horses in the state.

The commission is empowered to appoint a secretary and to fix his salary. By statute this secretary is also recorder of marks and brands. This designation of the secretary is unnecessary. The function should be assigned to the livestock commission without complicating the organization structure by having one position known by two different titles.

The relationship between the secretary and the commission seems to be satisfactory. The secretary is the executive officer of the agency and attends to all of the administrative details. The commission limits its activities to policy formulation, promulgation of rules, and determination of appeals from the decisions of the secretary. Since the title of "secretary" may mean anything from a cabinet officer in the federal government to the lowest rank of stenographer, but is most commonly used to designate positions to which little authority is attached, it would seem that some such title as executive officer of the livestock commission would be more appropriate.

The internal organization of the administrative staff of the livestock commission is as follows:



<u>Title of Position</u>	<u>Annual Salary</u>
Secretary, livestock commission	\$4,200
Accountant	2,100
Bounty and office clerk	1,620
Stenographer	1,500
Chief clerk	2,400
Clerk (temporary) (6)	1,200
Stock inspector (Dillon)	2,100
Stock inspector (Harlem)	2,100
Stock inspector (Butte)	1,836
Stock inspector (Hardin)	1,800
Stock inspector (White Sulphur Springs)	1,800
Stock inspector (Broadus)	1,800
Stock inspector (Shelby)	1,800
Stock inspector (Miles City)	1,800
Stock inspector (Stipek)	1,800
Stock inspector (Thompson Falls)	1,800
Market inspector (Great Falls)	2,352
Market inspector (Spokane, Washington)	2,100
Market inspector (Butte)	2,100
Market inspector (Bozeman)	1,920
Market inspector (Missoula)	1,800
Market inspector (Chicago, Illinois)	3,000
Market inspector (temporary) (2)	1,800
Market inspector (St. Paul, Minnesota)	2,700
Market inspector (temporary)	1,900
Market inspector (temporary)	1,800
Market inspector (Billings)	2,700
Assistant market inspector (2)	1,800
Market inspector (temporary)	1,800
Market inspector (temporary)	5 a day
(District agent) (Billings)	Federal employe
Hunter and trapper (4)	1,200
Hunter and trapper	962.40
Hunter and trapper (2)	897.60
Hunter and trapper	676.80
Hunter and trapper (12)	482.40
Hunter and trapper	466.80
(Junior district agent) (Billings)	Federal employe
Hunter and trapper	782.40
Hunter and trapper	482.40
Hunter and trapper	466.80
(Junior district agent) (Havre)	Federal employe
Hunter and trapper	1,500
Hunter and trapper (2)	482.40





In addition to its regular staff, the commission has deputized some 200 to 250 brand inspectors who work on a part-time basis for fees. These fees are paid, not by the commission but by persons who are required by law to secure brand inspection certificates.

The principal weaknesses in the internal organization of the staff are the large number of persons responsible directly to the secretary of the livestock commission and the apparent absence of provisions for local coordination between the stock inspectors and the market inspectors. As an example, one inspector of each type has headquarters at Butte and both are directly responsible to the secretary. The fact that there are 18 persons outside the central offices responsible directly to the secretary means that it is impossible for him to give close supervision.

The district plan of assigning stock inspectors throughout the state is desirable and should be continued. However, to reduce the number of persons supervised directly by the secretary and to provide for adequate coordination of the various activities of the livestock commission, it is recommended that the market inspection service be made a part of the work carried on in the district. In each district where markets are located, the head of the district, who would ordinarily be the market inspector, should direct all of the theft prevention and detection activities in that district. Stock inspectors could be used in the markets on rush days and assigned other work in the district on days when there are few inspections at the markets.

The statute authorizing the livestock commission to appoint stock inspectors specifically provides that "in no case must they (the stock inspectors) receive any mileage." If this provision were followed literally, it would seriously handicap the work of the commission and cause undue hardship. It is recommended that it be repealed.

#### Brand Registrations:

General Nature of Problems Involved: Before police work in prevention and detection of cattle theft can be made effective it is essential that there be some means of proving ownership of cattle. The established method of identifying livestock in the range areas is by means of brands, but in order for these to be effective each brand must have a common meaning. This can be accomplished only by the official registration and designation of a certain brand as belonging to an individual who has exclusive use of the mark. In Montana, the registering authority is the state.

In actual recording of the brands, however, is only a small part of the registration process. The important and essential thing is that these records be made available for use in the theft prevention and detection activities of the livestock commission. The problem of providing a sufficient number of complete sets of brand registrations in a usable form is one of the most difficult procedural problems facing the commission.

1. The first part of the paper is devoted to a general discussion of the problem of the origin of life. It is shown that the problem is one of the most important and interesting in the history of science.

2. The second part of the paper is devoted to a detailed discussion of the problem of the origin of life. It is shown that the problem is one of the most important and interesting in the history of science.

3. The third part of the paper is devoted to a detailed discussion of the problem of the origin of life. It is shown that the problem is one of the most important and interesting in the history of science.

4. The fourth part of the paper is devoted to a detailed discussion of the problem of the origin of life. It is shown that the problem is one of the most important and interesting in the history of science.

5. The fifth part of the paper is devoted to a detailed discussion of the problem of the origin of life. It is shown that the problem is one of the most important and interesting in the history of science.

6. The sixth part of the paper is devoted to a detailed discussion of the problem of the origin of life. It is shown that the problem is one of the most important and interesting in the history of science.

7. The seventh part of the paper is devoted to a detailed discussion of the problem of the origin of life. It is shown that the problem is one of the most important and interesting in the history of science.

The simplest record system that meets the needs of the situation is always the most desirable system, but in the registration of brands this is even more fundamental than is normally the case. The men who use these records in the field have neither the time, inclination, nor background to deal with the intricacies of an elaborate record system.

There is a large volume of work to be handled in recording the brands in the livestock commission. During the decade between 1931 and 1941 about 50,000 brands were recorded. The law requires that brands must be re-recorded every ten years, and during the year 1941 a re-recording is being made. About 6,000 applications for re-recording were received the first twenty days of January and some 20,000 had been received by September 1. In a normal year an average of 3,000 recordings are handled. The fee for a new recording is four dollars and for re-recording is one dollar..

In general, the present system is fundamentally sound and excellent progress has been made in solving many of the difficult problems involved in the work. However, changed methods of marketing cattle in recent years have introduced new problems and an increased demand for usable copies of brand records, which necessitate some refinements in the procedures if these problems are to be met without excessive cost.

The principal records required for brand recording and reference are as follows:

Brand certificate for the owner of the brand

Official brand book in which brands are recorded in chronological order

Index to brand book arranged so that the ownership of any given brand can readily be determined

Copies of brand records in a form that inspectors and other law enforcement officers can readily locate desired information

The problem of producing the necessary records revolves around the necessity for producing each symbol on each record as a hand drawing unless a process of reproduction of an original drawing can be used. At present such a reproduction process is used in making multiple copies of lists of brands but is not used in producing any of the basic records.

The necessary typing of the written part of each recording is a task of some consequence, but is minor in comparison with the requirements for hand drawing of symbols.

In subsequent paragraphs of this report various suggestions are made with a view to reducing the time required in producing the necessary records, both for the office of the commission and for distribution where they are needed in enforcement work.

1. The first part of the report deals with the general situation of the country and the progress of the work during the year.

2. The second part of the report deals with the results of the work during the year and the progress of the work during the year.

3. The third part of the report deals with the results of the work during the year and the progress of the work during the year.

4. The fourth part of the report deals with the results of the work during the year and the progress of the work during the year.

5. The fifth part of the report deals with the results of the work during the year and the progress of the work during the year.

6. The sixth part of the report deals with the results of the work during the year and the progress of the work during the year.



Brand Certificates: Probably the most important document in the entire record system should be the certificate of brand registration issued by the livestock commission to the owner of the brand. This certificate is the official authorization by the state for the owner to use the brand in marking his livestock. However, this certificate is not considered as an important document in the present record system of the livestock commission. A copy of it is now being made on a plain sheet of paper. After this has served a useful purpose in completing the card index of the brand, it is filed and no further reference is made to it.

This copy of the certificate should be the official copy of the authorization issued to the individual. If the brand is transferred to another person, the serial number of the original certificate appears on the transfer authorization. These two documents should be securely fastened together and kept in an active brand certificate file.

The brand registration certificates are now prenumbered, as they should be, but an extra supply of unnumbered forms is kept and used when a mistake has been made on the prenumbered forms. This practice should be discontinued. When mistakes are made, the certificates should be voided and preserved. Nothing but prenumbered forms should ever be printed.

Chronological List of Brands Recorded: The official register of recorded brands is a single bound list of the brands arranged in order by the date the certificate is issued. On it the brand symbol is drawn by hand and the location of the brand on the animal, the name of the owner, and his address are typewritten. The brand certificate number is also recorded in this book.

Once a week a list of all brand registrations during the week is prepared and reproduced by a duplicating process and distributed to the market inspectors. The brands have to be drawn by hand in preparing this list. There seems to be no necessity for preparing the chronological list separately from the weekly registration report. It is recommended that the permanent brand register be simply a bound copy of the sheets used for the regular weekly report of brands registered during the week. This would eliminate one complete recopying of the brand symbol and the other information concerning the brand.

Index of Brand Records: The listing of brands in the chronological order in which the brand certificates are issued is the only practical method of making an original official record of them. However, this type of record is almost useless when it is necessary to identify the owner of a given brand, which is the most frequent basis for reference. Therefore, the livestock commission records them on cards and arranges these in alphabetical sequence of the significant characters of the brands. Two such card files are maintained in the central offices and one set is kept in each of the markets where a large number of inspections is made. As is the case with other records, the brand symbol is hand drawn on each card. The time involved in preparing such card records originally and

1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. It emphasizes the need for transparency and accountability in financial reporting.

2. The second part of the document outlines the various methods and techniques used to collect and analyze data. It includes a detailed description of the experimental procedures and the statistical analysis performed.

3. The third part of the document presents the results of the study. It includes a series of tables and graphs that illustrate the findings of the research. The data shows a clear trend of increasing activity over time.

4. The fourth part of the document discusses the implications of the findings. It suggests that the results of the study have significant implications for the field of research and may lead to further developments in the future.

5. The fifth part of the document concludes the study. It summarizes the main findings and provides a final statement on the importance of the research.

keeping them up to date constitutes a serious problem.

If the original chronological list of brands is prepared with sufficient space between each brand, the best method of preparing the card index would be to cut the paper in such a way that each brand would be separated from the others. This strip of paper showing the brand record could be pasted on a card and the cards sorted into the desired arrangement. Such a process would save time and reduce the cost of preparing the card index of brands.

General Distribution of Brand Registration Books: Copies of the chronological lists of the brands are now being furnished to county sheriffs who are willing to pay a small amount to help defray the cost of preparing the lists. However, these records must be copied by the local officers if they are to be used. It is almost impossible to find a given brand in a chronological listing of the brands.

The failure of the commission to make copies of the brand records available in an arrangement that would facilitate their use by sheriffs and inspectors is one of the principal deficiencies at the present time.

By using the reproducing equipment now available in the offices of the commission and photographic equipment owned by the highway commission it would be feasible to produce any desired number of lists in alphabetical order at reasonable cost. This would necessarily involve an arrangement whereby the livestock could contract with the highway commission to have certain work done on the highway equipment.

Under this plan the index cards, previously discussed, could be assembled with desired spacing and photographed on a stencil with several registrations on a sheet. As many copies as desired could be run from the stencils. The advantages of this system are the speed with which copies can be prepared and the fact that the brand registrations do not have to be copied by hand.

Of course, the reproduction of the brand in a schematic order is only a part of the solution to the problem of furnishing complete brand registration records to field men. An average of 3,000 new registrations are received each year. This necessitates some provision for periodic revisions.

Two possible solutions to this problem are suggested. In both processes the weekly chronological list of brand registrations would be sent to those who had the original brand registration books.

One process would involve no attempt to assimilate the changes in the original book. Each year the new brands could be arranged in schematic order and a supplement issued, but during the year the chronological lists would have to serve. The chronological lists, of course, could be bound in a looseleaf book of some kind.

A second suggested method of preparing copies of brand registrations for field men would involve the insertion of each addition or transfer in the original book, which would have to be in

THE HISTORY OF THE UNITED STATES OF AMERICA

The first part of the history of the United States of America is the period from the discovery of the continent by Christopher Columbus in 1492 to the establishment of the first permanent settlements. This period is characterized by the exploration of the continent by Spanish, French, and English explorers, and the establishment of the first permanent settlements by the English in 1607.

The second part of the history of the United States of America is the period from the establishment of the first permanent settlements to the American Revolution in 1776. This period is characterized by the growth of the colonies, the struggle for independence from Britain, and the establishment of the United States as a new nation.

The third part of the history of the United States of America is the period from the American Revolution to the Civil War in 1861. This period is characterized by the expansion of the United States, the struggle for slavery, and the establishment of the United States as a major power in the world.

The fourth part of the history of the United States of America is the period from the Civil War to the present. This period is characterized by the Reconstruction era, the Gilded Age, the Progressive Era, and the modern era. This period is also characterized by the United States' role in the world, its economic growth, and its cultural influence.

The fifth part of the history of the United States of America is the period from the present to the future. This period is characterized by the challenges facing the United States, such as climate change, terrorism, and economic inequality, and the potential for a brighter future.

The sixth part of the history of the United States of America is the period from the future to the end of time. This period is characterized by the ultimate fate of the United States and the world, and the legacy of the United States in history.

The seventh part of the history of the United States of America is the period from the end of time to the beginning of time. This period is characterized by the origins of the United States and the world, and the beginning of the United States' journey in history.

The eighth part of the history of the United States of America is the period from the beginning of time to the present. This period is characterized by the United States' journey in history, its growth, and its influence on the world.

The ninth part of the history of the United States of America is the period from the present to the future. This period is characterized by the challenges facing the United States, such as climate change, terrorism, and economic inequality, and the potential for a brighter future.



looseleaf form. The first time the book were issued in each decade space could be left on each page for insertions. During the year, the chronological list would be sent out but the list could be cut and pasted in the original book on the page where the characters belonged according to the schematic arrangement. This would be close enough to exact order so that no difficulty would be encountered in locating brands.

With this second scheme it might be desirable periodically, say once every two years, to revise the book and send out substituted pages where a large number of changes had taken place. In case more brands were to be inserted on one page than there was space on the page, another page could be added immediately following.

If this latter process were put into practice, there is a possibility that there would no longer be any need for maintaining card indexes at the markets. The book might serve the purpose of the market inspectors as effectively as a card file.

Presentation of Records in Court: At present some courts will not accept certified copies of records as evidence of ownership of brands, but require instead that the official brand book be brought into court. This ruling causes considerable inconvenience when the book is impounded in court during a trial. Furthermore, difficulty is sometimes encountered in securing its return. The statutes should be amended to require the full recognition of certified reproductions of the brand registrations by the courts.

#### Chattel Mortgage Records:

The statutes provide that the general recorder of marks and brands shall record chattel mortgages against livestock. The filing of these records of mortgages is one of the important tasks of the livestock commission.

Each mortgagee is assigned a code number when he registers his mortgage, and this code number is noted on the file card of the owner of the brand both in the central office and in the markets. When a notice of satisfaction of the mortgage is received, the code number is erased from the card.

The central office prepares a weekly report to the market inspectors of the mortgage registrations and cancellations during the week. This report is prepared on a typewriter and sufficient carbon copies are made for all of the markets. It is, however, the practice to draw the brand symbol on these reports. The brands should be referred to by certificate number and the chronological list of brands referred to as a cross index to find the brand in the schematic file when the chronological list is complete.



### Local Theft Prevention and Detection Activities:

The statutes provide that except for certain types of exemptions allowed by law no livestock may be moved across county or state lines unless the brands of the stock have been checked by an inspector of the livestock commission. This is a very important service of the commission and has become increasingly difficult because of the extensive use of trucks in transporting livestock.

If livestock are being transported out of Montana by railroad to one of the markets where brand inspectors are maintained by the state, the brand inspection may be made at the market instead of at the shipping point. However, it is interesting to note that, during 1940, 167,036 head shipped to points outside the state were inspected at the time of shipment as compared with 124,958 inspected at the out-of-state markets. In other words, only 43 percent of the livestock shipped out of the state went to the principal markets.

Each shipper is given a certificate of inspection and must furnish this as evidence of inspection when requested by any peace officer or inspector. State highway patrolmen are specifically authorized by statute to stop trucks carrying livestock and to ascertain that the animals have been checked for brands as evidenced by the inspection certificate. A copy of the certificate is sent to the central offices of the livestock commission where a check is made to determine that the shipper of the livestock is the legal owner of the brand. If the shipper is not owner, the latter is notified that a specified number of his livestock as described on the inspection certificate were shipped on a certain day.

The enforcement of these inspection laws over such a large area as the state of Montana is very difficult. It is readily apparent that it would be impossible to employ full-time brand inspectors in sufficient numbers to provide adequate inspection service. The livestock commission solves this problem by appointing local brand inspectors who are entitled to receive as compensation any fees they collect for the inspections. These fees amount to twenty-five cents for each animal inspected up to and including twelve and then the rate is \$3.00 for the entire number inspected.

The number of brand inspectors varies from about 200 to 250. They are recommended by the full-time stock inspectors who work in assigned districts of the state. Ordinarily the compensation of employes on the basis of the fees collected is not desirable. However, in this case it is probably the only practicable solution. Each year a compilation should be made of the number of animals inspected by each brand inspector and the amount of inspection fees he received. Such a list should be furnished to the members of the livestock commission and the various state officials who are responsible for the expenditure of state money.

In addition to carrying out special investigations and brand inspections for intercounty and interstate movements of livestock, the full-time stock inspectors supervise the checking of the animals slaughtered by local butchers. The responsibility for the inspection of the hides of all animals slaughtered by local butchers is vested in the county sheriffs, but the livestock commission is empowered to prescribe the manner of the inspection.





Market Inspections:

Scope of Market Inspection Services: The primary purpose of the market inspection service of the livestock commission is to insure to the livestock industry of Montana that the rightful owner of each animal will receive the proceeds from the sale of such animal. This inspection service for brands is maintained at all of the public markets in Montana and at the principal markets outside the state where Montana cattle are most frequently sold. The other possible means of disposing of livestock are covered by the laws forbidding the intercounty and interstate movement of livestock without brand inspection. The checking of local butchers, of course, is done by the sheriffs.

During 1940, the livestock commission, according to its annual report, inspected 230,000 head of cattle and horses for brands at the various markets in Montana and other states, as shown in the following tabulation:

<u>Market</u>	<u>Number of Cattle</u>	<u>Number of Horses</u>
Chicago	38,228	-
St. Paul	44,605	-
Omaha	10,045	-
Sioux City	14,409	-
Fargo	2,164	-
Spokane	15,507	-
Billings	57,753	2,232
Great Falls	25,458	1,124
Bozeman	10,696	906
Missoula	3,688	92
Lewistown	3,093	-
Total	<u>225,646</u>	<u>4,354</u>

It is important to note that the market handling the largest number of Montana livestock was a market located in the state. A total of 59,985 head of livestock were inspected for brands at the market in Billings, as compared with 44,605 head inspected at St. Paul, which received more Montana cattle than any other market outside the state. The rather recent growth of the local public markets has been made possible through the extensive use of trucks in transporting cattle.

The livestock commission maintains inspectors at the markets in Chicago, St. Paul, and Spokane. The inspections at Omaha, Sioux City, and Fargo are handled on a cooperative basis with other states. Recently an inspection service on a cooperative basis was established at Idaho Falls.

The question may well be raised as to whether it is necessary to continue inspection service at the markets outside of Montana. This practice was unquestionably desirable during the period when most of the cattle were being transported by railroad directly to market, but the inspection problem today differs considerably from



that of twenty years ago. Not only has there been a tremendous growth in the local markets, but even the cattle being shipped out of the state are not sent directly to the markets.

The coordination of the local market inspection service with the district work of the stock inspectors has been previously recommended. Perhaps in the future all of the inspection work of the livestock commission should be handled in the state. The elimination of some of the clerical work in the markets, as has been suggested, would make it possible for the local market inspectors to carry out special investigations in the area surrounding the market on days when there was little sales activity at the market.

It is not recommended, however, that the market inspection service outside Montana be discontinued at the present time. This is a subject which needs further study and the move should not be made until it is definitely determined that it will increase the effectiveness of the inspection service as a whole.

Each public market in the state is required by law to secure a license from the livestock commission. It is the policy of the commission to issue licenses only when it has been proven that a market will be of material benefit to the livestock industry. This policy has tended to limit the number of public markets in the state. Other states with no license on public markets or with a policy of permitting public livestock markets to be established indiscriminately have experienced difficulty in controlling them. The present policy of the livestock commission in limiting the number is quite desirable and should be continued.

The fee charged for a public market license is \$100 a year, and each market must furnish a surety bond in the amount of \$10,000. There is also a fee of ten cents for each animal inspected by the livestock commission at the local markets and in the out-of-state markets.

Market Inspectors' Reports: The rigid control over the sale of livestock in market centers is responsible in a large measure for the effectiveness of the theft prevention and detection activities of the commission. An important element in this effectiveness is an adequate system of reports. In the first place, the buyers want assurance that the seller is the rightful owner and, secondly, the livestock commission wants a report that signifies that livestock are being transported and sold in accordance with the provisions of law.

The present record system is designed in such a way that two reports are being prepared to accomplish these two purposes - one for the commission firms and one for the livestock commission. After the market inspector has checked the cattle in the yards, he prepares an inspector's tally sheet for the commission firms. This report shows where the livestock were penned in the yards at the time of inspection, the number of each kind of livestock, the brand on each, the owner of the brand and his address, the shipper, a notation that a bill of sale has been submitted if the owner of the brand and the shipper are not the same person, a notation that a brand inspector's certificate has been secured if the cattle are





being sold in a Montana market, and a statement as to the proper disposition of the proceeds of the sale. This tally sheet must be prepared immediately.

Later in the week when the market rush is over the market inspector prepares his report for the central offices of the livestock commission. This report contains a compilation of information almost identical with that on the tally sheet, except that some information not of interest to the central office is omitted.

With a few changes in the form of the tally sheet, a copy of it would serve all of the needs of the livestock commission. It is recommended that this change be made.

#### Administration of Stock Estray Laws:

The general purpose of the stock estray laws is to provide some means of disposing of livestock where the ownership of the animals is undetermined or in dispute. The statutes specifically authorize the livestock commission to sell such animals and to hold the proceeds of the sale in trust until it is possible to determine the rightful owner.

According to the statutes, the expenses of collecting, holding, advertising, and selling estrays are to be paid out of the receipts of the sale of the animals before the money is deposited in the stock estray fund to be held in trust for the rightful owner. It has been the policy of the livestock commission, however, to make a charge for this service to cover only the cost of advertising. The market and stock inspectors devote considerable time to this stock estray work, and in addition, there is work to be performed in the central office in connection with the records that have to be kept and in determining the rightful owners. It is recommended that the livestock commission make a charge for this work as is provided for by statute. Perhaps ten percent of the gross sale price of the animals would be a reasonable assessment for the cost of the work involved. The rules and regulations of the livestock commission should prescribe the amount and the conditions under which it should be paid.

After a period of two years if the rightful owner of the livestock has not been determined, the livestock commission is empowered to authorize the state treasurer to transfer the money from the stock estray fund to the livestock commission fund to be expended for the general operating cost of the agency. The livestock commission has been reluctant to authorize such transfers. It has been the policy of the commission to preserve the excess in the stock estray fund to meet any emergencies that might arise.

The operations of the stock estray fund during the last seven fiscal years may be summarized as follows:



<u>Fiscal Year</u>	<u>Balance Beginning of Fiscal Year</u>	<u>Income</u>	<u>Expenditures</u>	<u>Transfers to Livestock Commission Fund</u>
1934-1935	\$16,717.91	\$ 74,596.51	\$ 70,447.72	-
1935-1936	20,866.70	205,528.04	196,653.17	-
1936-1937	28,741.57	124,233.44	120,383.86	\$12,386.28
1937-1938	20,204.87	68,804.55	66,430.07	-
1938-1939	22,579.35	24,011.95	22,921.72	-
1939-1940	23,669.58	35,260.49*	12,892.22	678.55
1940-1941	45,359.30	20,966.03	18,228.52	-
1941-1942	48,096.81	-	-	-

\*Includes \$20,000 received from sale of bonds previously held by the fund.

It will be noted that during this seven year period there was only one significant transfer from the stock stray fund to the livestock commission fund. This was made during the drought emergency period.

The possibilities of emergency requirements of appreciable size in the operation of the livestock commission are sufficiently remote to make the maintenance of such a large reserve fund undesirable. It is recommended that all of the money in the stock stray fund which is no longer subject to claim by the rightful owner of the livestock sold be transferred immediately to the livestock commission fund and that such transfers be made each year. Expenditures of this agency from the general fund should be discontinued until such time as this reserve has been expended.

#### Predatory Animal Control:

The predatory animal control activities of the livestock commission consist of the payment of bounty and the employment of hunters and trappers. This latter type of activity is carried on in cooperation with the federal government and also with local governments and certain private organizations.

The statutes provide that between the first of April and the first of July the livestock commission shall pay bounty for predatory animals as follows:

<u>Animal</u>	<u>Amount</u>
Grown wolf	\$15
Grown coyote	2
Coyote or wolf pup	2
Mountain lion	2

During the calendar year 1940, the livestock commission paid bounty on 1,047 grown coyotes, 7,465 coyote pups, and one mountain lion. The total of the bounty payments amounted to \$17,044. This was an increase of \$594 over the amount paid for the bounty in the calendar year 1939.

No. of specimens	No. of specimens	No. of specimens	No. of specimens	No. of specimens
100	100	100	100	100

THESE SPECIMENS WERE OBTAINED FROM THE FOLLOWING SOURCES:

1. From the collection of the U.S. National Museum, Washington, D.C.

2. From the collection of the U.S. National Museum, Washington, D.C.

3. From the collection of the U.S. National Museum, Washington, D.C.

4. From the collection of the U.S. National Museum, Washington, D.C.

5. From the collection of the U.S. National Museum, Washington, D.C.

6. From the collection of the U.S. National Museum, Washington, D.C.



In order to meet these bounty payments a special state bounty fund has been created. This fund receives five percent of all license money collected by the several county treasurers, the revenue from an ad valorem tax on the livestock of the state, and the receipts from the sale of furs, skins, and hides. The statutes provide that any money remaining in the bounty fund may be used by the livestock commission for the employment of hunters and trappers to destroy predatory animals. The legislature has been appropriating an additional \$10,000 a year for this predatory animal control work. The fish and game commission also contributes \$7,500 for this work.

The work of the hunters and trappers employed by the livestock commission is carried out in close cooperation with the fish and wildlife service of the United States department of interior. In fact, these state employes are directly supervised in their work by this federal agency. The fish and wildlife service and the livestock commission have been sponsoring for several years WPA projects for the eradication of predatory animals. These projects have been only partly effective because of the reluctance of good hunters and trappers to qualify for WPA projects.

During the calendar year the fish and wildlife service and the various agencies cooperating with it expended \$20,381.66 for predatory animal control work in Montana. In the same period the livestock commission and the WPA expended \$33,405.41 for the employment of hunters and trappers and for the purchase of equipment and supplies to carry out their work.

The predatory animals destroyed during 1940 by the hunters and trappers employed by the federal government, the state, and other cooperating organizations may be summarized as follows:

<u>Type</u>	<u>Fish and Wildlife Service and Co- operating Agencies</u>	<u>State and WPA</u>
Coyotes	1,928	3,267
Lions	-	5
Lynx and bobcats	47	81
Bears	10	23

The only predatory animal of great importance remaining in Montana is the coyote. The other predatory animals are encountered only occasionally and are in general well under control. Thus, the future activities of the livestock commission in the eradication of predatory animals should be directed primarily against the coyote. There is considerable controversy as to whether the bounty system is the most effective means of securing the destruction of this animal.

The amount paid out for bounty on coyotes remains fairly constant year after year. On the basis of this fact, some persons charge that many of the hunters and trappers who claim bounty payments are more interested in the money received than in the eradication of the animals. Under certain conditions, it is evident that the regularly employed hunters and trappers are more satisfactory in the predatory animal control work than those receiving their compensation through the bounty system. In order to make possible the



employment of more hunters and trappers with the present funds available, it would seem desirable to make some reduction in the bounty payment rates. At the same time, the livestock commission should be empowered to determine whether or not bounty will be paid at all in any given year or whether the entire fund will be used to employ hunters and trappers.

#### Receipts and Expenditures:

In addition to the stock estray fund and the bounty fund, there is a livestock commission fund maintained for the primary purpose of financing the theft prevention and detection activities of the commission. The receipts from a special ad valorem tax on livestock and the fees collected by the livestock commission are deposited to the credit of this fund. The state board of equalization has the power to determine, upon the recommendation of the livestock commission, the amount of the ad valorem levy on livestock, within the statutory limit of one and one-half mills on cattle and horses and one mill on sheep. The rate has been set during the last several fiscal years at the maximum allowed by law.

The receipts of the livestock commission fund during the calendar year 1940 were as follows:

<u>Source</u>	<u>Amount</u>
Taxes	\$20,963.76
Fees for brand registrations	9,924.00
Mortgage registration fees	1,541.00
Livestock inspection fees	20,158.57
Market licenses	800.00
Fines	75.00
Interest	400.00
Sundry	1,450.00
	<u>\$52,312.33</u>

At present when applications for brand registration are received, the person who opens the mail attaches to the application whatever money is sent with it. This money may be in the form of money orders, checks, or currency. At times this money may lie on someone's desk for several hours before it is recorded and placed in a cash drawer. This system should be discontinued. The accountant should open all of the mail and immediately record and place in the cash drawer all of the money received.

The rate of the ad valorem tax levied on livestock for the bounty fund is also determined by the board of equalization on the recommendation of the livestock commission. The rates cannot exceed one and one-half mills on sheep and one mill on cattle and horses. The rate levied during the past several years has been at the maximum allowed. The receipts of the bounty fund for the calendar year 1940 were as follows:





<u>Source</u>	<u>Amount</u>
Taxes	\$18,355.51
Sale of furs	4,817.10
Fish and game commission	7,500.00
Interest	200.00
	<u>\$30,872.61</u>

In addition to the receipts in the livestock commission fund and the bounty fund which are expendable without specific legislative appropriation, the livestock commission received for the fiscal year 1940-1941 an appropriation of \$25,000 from the general fund for general operations and another appropriation from the general fund of \$10,000 for predatory animal control work. Appropriations of these same amounts are available for expenditure during each fiscal year of the current biennium.

The expenditures of the livestock commission during the calendar year 1940 from the livestock commission fund were as follows

<u>Class of Expenditure</u>	<u>Amount</u>
Personal services:	
Market inspectors	\$23,261.66
Office employes	10,698.35
Stock inspectors	12 915.00
Ordinary recurring expenses other than personal services:	
Markets	3,393.01
Office	8,943.98
Inspectors	4,824.92
Deputy inspectors	59.99
Commissioners	<u>458.94</u>
	<u>\$64,555.85</u>

The expenditures of the livestock commission for predatory animal control activities during the calendar year 1940 were as follows:

<u>Class of Expenditure</u>	<u>Amount</u>
Bounty claims	\$17,044.00
Hunters' salaries	14,377.16
Clerk's salary	1,440.00
Other	<u>378.84</u>
	<u>\$33,240.00</u>

These expenditures for predatory animal control activities include those from the general fund as well as from the bounty fund. The cash balance in the bounty fund increased from \$12,131.86 on January 1, 1940, to \$20,566.83 on December 31, 1940. It should be



the policy of the state fiscal authorities not to allow any expenditures for predatory animal control from general fund appropriations until the balance in the bounty fund is reduced to the lowest level consistent with the potential demands for bounty claims. There seems to be no reason why this amount should vary greatly from year to year.

Value and Cost of Services Rendered:

All of the major activities of the livestock commission are for the especial benefit of the livestock industry of Montana. Certain minor activities relate to the poultry industry. The principal benefits accruing to the people as a whole are only those of an indirect nature resulting from the promotion of important industries of the state. Of course, the major activity of the commission is theft prevention and detection, and such a service should be rendered by any government for its citizens. The peculiar nature of the livestock industry, however, makes special protection from theft essential. A large part of this special service is now being supported directly by the livestock industry through the ad valorem tax and various fees. The difference between the number of livestock reported for census purposes and the number placed on the assessment rolls would indicate that a complete coverage of livestock by the assessor would increase the collections from the ad valorem tax. This would result in more money being available for livestock theft prevention and detection activities. The general fund appropriations to the livestock commission should never be allowed to become very large.

In general, it can be said that the livestock commission is rendering effective service, and the costs of operation are not excessive.



Summary of Recommendations:

The recommendations expressed or implied in this report may be summarized as follows:

Recommendations Not Requiring Legislation

- \*(1) That, for the purpose of improving the service, the market inspection activities and the theft and detection work in the districts be closely coordinated.
- \*(2) That the procedures for brand recording and making copies of brand records be revised to eliminate repeated hand drawing of brand symbols, as explained in the text of this report, in order to reduce the work involved and thereby to make feasible the more general distribution of usable brand records.
- \*(3) That, in order to increase the effectiveness of the inspection service as a whole, further study be made, in the light of changing marketing practices, of the possibility of reducing inspection service at markets outside the state.
- \*(4) That, in order to prevent an increase in the cost of maintaining market inspection service, the commission continue the policy of issuing market licenses only when it has been definitely proven that a market will be of material benefit to the livestock industry, and with volume to insure the payment of fees sufficient to pay a major part of inspection service.
- \*(5) That the time of market inspectors in making reports of inspections to the central office be saved by making such reports as copies of the tally sheets prepared for use at the market.
- \*(6) That in the interests of economy, the livestock commission make the charges authorized by law for handling estrays.
- \*(7) That, in order to relieve the general fund of approximately \$25,000 in expenditures during the current biennium, the free balance of the stock estray fund be transferred to the livestock commission fund and expended in lieu of general fund money.
- \*(8) That the livestock commission transfer each year to the livestock commission fund all of the money in the stock estray fund which is no longer subject to claim.
- \*(9) That no expenditures be made from the general fund of the state for predatory animal control work until the balance in the bounty fund has been reduced to the lowest level consistent with the prospective demands for bounty claims.
- \*(10) That, in order to eliminate the possibility of loss, the accountant of the livestock commission receive all incoming mail and immediately record and place in the cash drawer all remittances received.
- \*(11) That, in order to keep the state authorities informed as to the amount of money collected by agents of the state, a compilation be made each year of the number of animals inspected by each brand inspector and the amount of inspection fees received.



Recommendations Requiring Legislation

- (12) That the functions of the livestock commission and of the secretary be assigned directly to them without giving the secretary the ex-officio title of recorder of marks and brands; and that, by amending the same section of the statute, the secretary of the commission be given some such title as executive officer which would be more descriptive of his duties and responsibilities.
- (13) That the statute providing that stock inspectors must not receive reimbursement for mileage be repealed.
- (14) That the livestock commission be empowered to determine each year whether or not bounty payments should be made or the money used to employ hunters and trappers; and that consideration be given to a reduction in the rates of bounty payments.
- (15) That the statutes be amended to require full recognition by the courts of certified copies of the brand registration records.







STATE OF MONTANA

GOVERNOR'S COMMITTEE ON REORGANIZATION

AND ECONOMY

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DEPARTMENT OF AGRICULTURE, LABOR, AND INDUSTRY

(Report No. 2)

August 28, 1941

Prepared by  
Griffenhagen & Associates



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REPORT ON  
DEPARTMENT OF AGRICULTURE, LABOR, AND INDUSTRY

Introduction:

The constitution provides that the legislative assembly may establish a bureau of agriculture, labor, and industry under the control of a commissioner of agriculture appointed by the governor and confirmed by the senate. In accordance with this provision, the legislative assembly in 1921 created the "department of agriculture, labor, and industry," in its present form, for the general purpose of promoting the agricultural and labor interests in the state. At the time this department was established, nine state agencies were abolished. The discontinued agencies were the state board of horticulture, the state horticulturist, the board of directors of the state fair, the board of dairy commission examiners, the department of labor and industry, the department of agriculture and publicity, the state dairy commissioner, the grain grading inspection and warehousing commission of the state of Montana, and the state board of poultry husbandry.

Except for the assignment, from time to time, by the legislature of specific regulatory functions to the department, there have been no important changes in the department since its establishment.

Functions and Activities:

General Statutory Provisions: The general functions of the department of agriculture, labor, and industry assigned by statute are as follows:

- (1) To encourage and promote the interests of agriculture.
- (2) To collect and publish statistics relating to the production and marketing of agricultural commodities.
- (3) To assist, encourage, and promote farmers' organizations and exhibits of agricultural products.
- (4) To establish and promulgate standards for containers for farm products and standards for the grade and other classification of farm products.
- (5) To cooperate with producers in devising and maintaining economical systems of distribution and marketing.
- (6) To maintain a market news service.
- (7) To gather and distribute timely information concerning the supply, demand, prevailing prices, and commercial movement of farm products.
- (8) To investigate the practices and methods of persons who deal in agricultural commodities to determine that these products are being handled without hardship, waste, or fraud.
- (9) To cooperate with the state college of agriculture, the agricultural experiment station, and the federal government in bettering the agricultural industries of the state and the opportunities of the farmers.
- (10) To determine, as far as possible, what conditions make for the success of the homeseeker and what conditions make for his failure, and to assist in remedying the conditions causing failure.



- (11) To conduct and manage the state fair.
- (12) To enforce all of the laws of the state relating to hours of labor, condition of labor, protection of employes, and employment of children in any manner.
- (13) To administer all of the laws of the state relative to free employment offices.

The commissioner of agriculture is ex officio state sealer of weights and measures, real estate commissioner, and farm storage commissioner. The work assigned to him in these capacities is treated in the same way as that assigned directly to his department or to him as commissioner of agriculture. The functions so assigned by statute are respectively:

- (1) To inspect the weights and measures and balances which are used for buying or selling goods, wares, merchandise, or other commodities, and for public weighing, and to test or calibrate weighing devices or apparatus used as test standards in the state.
- (2) To issue licenses to real estate brokers.
- (3) To enforce the laws of the state governing the storage of grain to be held as security for credit.

The department is not formally organized to devote a great deal of time to the educational and promotional activities that are provided for in the statutes. Its activities are concerned primarily with regulation and with certain services for specialized groups on a fee basis. Most of the educational and promotional activities in the field of agriculture are carried on by Montana state college through its extension service and experiment stations, although the present commissioner of agriculture is personally endeavoring to encourage Montana farmers to understand and meet the current social and economic conditions as well as the technical problems that now confront the farmer.

Activities Carried On: The principal activities of the department at the present time, under the functions assigned, may be grouped as follows:

Control of horticulture products.

This involves the inspection of fruit, vegetables, and nursery stock to control the spread of disease and insects and to determine grade. Licenses are issued to wholesalers, itinerant merchants, bean dealers, and nursery men.

Grain marketing control and inspection.

For the most part this consists of testing grain to determine grade and protein content. It also involves inspection of elevators and licensing of warehouses.

Control of dairy and poultry products.

This involves inspection of dairy products manufacturing plants and establishments distributing eggs and dairy products, except fluid milk. Licenses are issued to Babcock testers, cream graders, creameries, cheese manufacturers, ice cream manufacturers, cream stations, cream haulers, egg retailers, egg wholesalers, oleomargarine retailers, and oleomargarine wholesalers.







#### Labor activities.

These consist of enforcing laws relating to working conditions and to the providing of mediation services in labor disputes.

Custodial care of the state fair property.

Enforcement of laws relating to weights and measures, except applied to petroleum products.

Issuance of licenses to real estate dealers.

Issuance of commercial fertilizer licenses.

#### Organization and Staff:

Commissioner of Agriculture: The department of agriculture, labor, and industry is under the direction of a commissioner of agriculture appointed by the governor, by and with the consent of the senate, for a term of four years. As previously stated the commissioner of agriculture is ex officio state sealer of weights and measures, real estate commissioner, and farm storage commissioner. There is no need for this round-about method of assigning duties since the functions assigned to him in these capacities could be carried out by the department under a direct assignment to the department and in fact are now being conducted by the regular staff of the department as though they had been assigned that way. It is necessary, however, to maintain the distinctions by various devices and this all adds unnecessarily to the department's burdens.

The commissioner of agriculture is ex officio member secretary of both the Montana preparedness and advisory commission and the state board of hail insurance. He is also ex officio a member of the industrial accident board and of the soil conservation committee.

In addition to the above ex officio designations, the commissioner of agriculture is an ex officio member of the directors of the Montana farmers' institute. This agency is inactive and the need for it has ceased to exist. The law establishing the directors of the Montana farmers' institute should be repealed.

Internal Organization: The internal organization of the department is complicated and confused by reason of the fact that the various statutory provisions, the units recognized for appropriation purposes, and the actual units in the operating organization are all different.

The statutes provide that there shall be four main divisions of the department. In establishing these four divisions, the statutes further state that any person in one division shall not be prevented from doing work in another division and that the commissioner may establish additional divisions at his discretion. The four divisions created by the statutes are as follows:

- Division of farming and dairying
- Division of grain standards and marketing
- Division of horticulture
- Division of labor and publicity

The statutes state that the purpose of establishing such divisions is to provide a logical and convenient classification of the work of the department. There is considerable room for question as to whether this purpose was accomplished particularly in such a division as labor and publicity. The management



of the state fair is also assigned to this division. The position of director of publicity has been abolished recently, and it is recommended that it be not reestablished.

In making the appropriation for the department for the biennium, 1941-1943, the legislature recognized two of the divisions established by statutory provisions, used different names for two of the statutory divisions, and referred to several other divisions. The divisions of the department for which appropriations were made are as follows:

- Administrative division
- Horticulture division
- Grain grading and scale testing division
- Dairy division
- Labor and publicity division
- State fair grounds
- Real estate division
- Fertilizer division

It is certain that the organization is not, and apparently never has been, the same as that for which the appropriations were made. Actually, the internal organization of the department, as determined from information given by individual employes and certified as correct by the commissioner of agriculture, is as follows:

<u>Title of Position</u>	<u>Yearly Salary Rate</u>
Commissioner of agriculture	\$ 5,000
Secretary	1,620
Custodian (state fair property)	900
Elevator inspector	1,800
Inspector in charge of dairy division	2,400
Inspector (dairy)	2,100
Inspector (dairy)	1,920
Inspector (dairy)	1,800
Inspector (dairy)	1,620
Administrative clerk and secretary (dairy)	1,920
Scale inspector	1,500
Scale inspector	1,920
Assistant scale inspector	1,020
Deputy real estate commissioner	2,100
Stenographer-clerk	1,500
Commissioner of labor	2,700
Inspector (part time, also dairy inspector)	1,800
Chief, horticulture division	2,700
Clerk	1,620
Chief inspector	2,100
Inspector (4)	1,800
Inspector	1,620
Inspector (2)	1,500
Inspector	1,380
Inspector (2)	1,320
Inspector (5)	1,200
Border inspector (2)	1,320
Border inspector (8)	1,200



<u>Title of Position</u>	<u>Yearly Salary Rate</u>
Chief grain inspector	\$ 3,600
Clerk and stenographer	1,380
Assistant clerk	1,200
Chemist	2,700
Assistant chemist	1,500
Laboratory assistant	1,500
(Laboratory assistant (grain inspector)	1,800
(Grain sampler	1,500
Assistant sampler (6) (These employes are also responsible to the laboratory assistant for a part of their work)	1,320
Grain inspector	2,400
Sampler	1,320

The numbers of employees in the horticulture division and in the grain standards and marketing division vary with the seasons of the year. The maximum number at any one time in the horticulture division is 35 and the present number is 28. During the period when large quantities of grain are being shipped, the grain standards and marketing division may employ as many as 25 employes, but during the winter and early spring the number is reduced to about eight.

The positions of department accountant and department attorney have been abolished recently, and it is recommended that these positions be not re-established.

Suggestions for Reorganization: In order to comply with the provisions of the statutes and to meet the operating problems of the department the following organization is recommended:

Office of the commissioner. This would consist of the commissioner of agriculture and his secretary.

Division of horticulture. This division would be under the direction of a chief horticulture inspector. He would have immediate supervision over the inspectors in the Helena area and would be assisted by two supervising inspectors, one in the western part of the state and one in the eastern part.

Division of grain standards and marketing. The director of the Great Falls grain laboratory would be in charge of this division which would test grain for protein content and grade and inspect elevators.

Division of farming and dairying. This would be headed by a chief dairy inspector who would do inspection work in a small area in addition to supervising other dairy inspectors.

Division of labor and publicity. The chief of the labor division would direct the labor activities of the department.

Custodian of state fair property. This employe would be under the immediate supervision of the commissioner of agriculture.

Division of weights and measures. The commissioner of agriculture would in effect be the head of this division and each scale inspector would be under his direct supervision.

Division of licenses and administration. All of the licensing activities of the department would be centralized in this division under the supervision of a chief license clerk. Except for one stenographer in the division of horticulture and one stenographer in the division of grain

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standards and marketing all of the stenographers and clerks of the department would be under the supervision of the chief license clerk. These stenographers would be assigned temporarily to the various divisions in accordance with their needs.

The titles of the division are in some cases not appropriate but are used in order to comply with the provisions of law. As soon as practicable the statutes should be amended to permit the use of titles that more adequately describe the nature of the work of the divisions.

These proposed organization units are discussed more fully in the subsequent sections of this report dealing in turn with the major groups of services rendered by the department.

#### Horticultural Products Control:

Commodities Inspected: One of the most important activities of the department of agriculture, labor, and industry is that of inspecting all of the fruit, vegetables, and nursery stock grown in the state or imported from other states for distribution to the people of Montana. This inspection work may be divided into two major types, that pertaining to insect and disease control and that relating to the grading of fruit and vegetables.

The grading of fruit and vegetables is in accordance with the standards established by the United States Department of Agriculture. The inspectors who issue federal grade certificates are ~~accepted~~ by the federal government. These federal certificates are accepted in all courts as prima facie evidence of the grade of the commodities at the time of shipment. Only a small number of federal grade certificates are being issued, but the number is increasing from year to year.

By far the greatest part of the horticultural inspection work consists of examining the commodities being imported into Montana from other states. In 1940, the value of the imported fruit and vegetables inspected by the department was nearly four and one-half million dollars while the value of Montana grown fruit and vegetables amounted to only about seven hundred thousand dollars. Potatoes and apples were the most important of the Montana grown products, as indicated by the following list showing products having a value of more than \$10,000 in 1940.

<u>Product</u>	<u>Value</u>	<u>Product</u>	<u>Value</u>
Potatoes	\$ 243,450	Onions, dry	\$ 25,928
Apples	147,081	Tomatoes	20,322
Strawberries	92,085	Cabbage	20,062
Lettuce	36,994	Corn, green	10,806
Raspberries	28,998		

Of the commodities imported into Montana from other states, the values of the ten most important products were as follows:

<u>Product</u>	<u>Value</u>	<u>Product</u>	<u>Value</u>
Oranges	\$ 672,513	Tomatoes	\$ 231,397
Apples	369,960	Peaches	214,376
Grapes	367,252	Strawberries	163,761
Potatoes	313,847	Lemons	155,224
Lettuce	285,113	Grapefruit	125,245





It is important to note that in spite of the fact that potatoes and apples are the two most important Montana grown products, large quantities were shipped into the state during 1940. This indicates that the production of potatoes and apples could well be increased in Montana.

Location and Supervision of Inspectors: In order to provide adequate inspection facilities to cover the entire state, two methods are used in assigning horticultural inspectors to locations. Some inspectors are stationed in the cities where there are large fruit and vegetable wholesalers. These inspectors are concerned primarily with the inspection of commodities shipped into the state by railroads. Other inspectors are placed on the main highways leading into the state, and most of their work consists of examining fruit and vegetables that are being transported by trucks. Both groups of inspectors do inspection work for local producers in the areas in which they are placed.

Two of the horticultural inspectors collect grain samples for the seed testing laboratories. They are paid seventy-five cents for each sample collected in addition to the compensation received for the horticultural inspection work. One of the inspectors states that he received \$66.75 for collecting grain samples last year but no statement has been secured from the other inspector. The practice of allowing employees extra pay for performing services for other divisions should be discontinued. A person employed on a full-time basis is working full-time for the entire state not for just a part of the organization of one agency.

In the office of the chief of the horticulture division, there is a chief inspector who assists in the supervision of inspectors. This chief inspector, however, spends about one-half of his time in the office, and even the time spent in the field is not devoted entirely to supervision. Neither the chief of the division nor the chief inspector gives as much supervision to inspectors as would be desirable. Inspectors in some sections of the state are not visited more than once a year, and there is no plan for calling all of them together for group instruction.

The proposed organization would provide more adequately for supervision by dividing the state into districts. In order to provide adequate supervision for the 20 to 30 inspectors, three districts are suggested. The head of the division could supervise directly the employees working in a district comprising the territory surrounding Helena, and the present chief inspector could be placed in a district in the western part of the state where the inspection work is heaviest. By rearranging the work of the inspectors, it would be possible to provide supervision in the eastern district through one of the four top ranking inspectors without any increase in salary.

Border Stations: At the present time horticultural inspectors are placed in strategic points on the border of the state to cover important highways leading into Montana. The department of agriculture, labor, and industry is the only state agency maintaining inspection on some of the roads it covers. The horticultural inspectors, therefore, render considerable service to other state agencies. Among the more important of these services, besides the examination of horticulture products are the following:

- Gasoline tax collection for the board of equalization.
- Livestock inspection for the livestock sanitary commission.
- Liquor control work for the liquor control board.
- Examination of certificates pertaining to apple spray residue for the state board of health.
- Coal tax collection for the state board of equalization.



Bee inspection for the state entomologist.

Collection of statistics concerning movement of trucks for the state railroad commission and the interstate commerce commission.

Two of the horticultural inspectors receive additional compensation for their work in livestock inspection. The horticultural division receives an annual appropriation of \$6,000 from the highway fund and an annual appropriation of \$2,500 from the liquor board fund.

The plan of having the horticultural inspectors do border inspection work for other state agencies is satisfactory and should not be changed. In no case, should any other state agency provide additional compensation direct to the individual inspectors for these services. There is, however, no objection to interdepartment charges for the work where legal means can be found to make such charges.

It has been the policy of the department to permit the public to place long distance telephone calls from the telephones in the border stations, and for the inspectors to collect the telephone tolls for such calls. This whole practice should be discouraged, except in cases of emergency.

Inspection and License Fees: The statutes provide that the fees for inspection of fruit, vegetables, and nursery stock shall be as follows:

Vegetable inspection: Two cents a package with a maximum of \$4 per lot or carload.

Fruit inspection: Two cents a package with a maximum of \$5 per lot or carload.

Nursery stock inspection: for stock from nurseries licensed by the state of Montana, \$10 per carload and a proportionate sum for less than carload lots to be determined by the commissioner of agriculture; for stock from nurseries not licensed by the state of Montana, 10 percent of the total of the invoice with a minimum of 50 cents and the actual traveling expense of the inspector making such inspection.

Bean grading: 75 cents for each sample or \$4 per carload.

The fees, as fixed by statute, for the various licenses issued in connection with the control of horticulture products are as follows:

<u>License</u>	<u>Annual Fee</u>
Wholesale dealer	\$ 100
Itinerant merchant	100
Nursery	25
Bean dealer	15

The itinerant merchant license law is for the purpose of correcting some of the shortcomings of the act providing for the licensing of wholesale dealers. The same result could have been achieved by amending the act relating to the licensing of wholesale dealers. Only two itinerant merchant licenses have been issued in three years. In order to simplify the laws relating to the subject, the wholesale license act should be amended in such a way as to provide the desired control over itinerant merchants and the itinerant merchant license act repealed.

The license fee of \$25 a year on nurseries may have tended to discourage the operation of small nurseries, since most of the nursery licenses are issued to large nurseries outside Montana. It would probably be desirable to





provide either a smaller license fee or a license fee graduated according to the size of the nursery in order to encourage the establishment of small nurseries in the state.

The control of horticultural products through the inspection work of the department is a valuable service to the agricultural industry of the state and to the consumers of agricultural products and should be continued. However, since the services are of special benefit to a restricted group, the cost should be approximately offset by collections of inspection and license fees. This condition has been approached, but not quite realized.

The receipts collected have not been as large in the last four fiscal years as the expenditures of the division by an amount ranging from \$5,000 to \$11,000 a year. Considering the fact that the border stations are rendering service to other state agencies this difference between fees collected and expenditures is probably not greatly excessive. The difference, however, should not exceed \$5,000 in most years.

#### Grain Marketing Control and Inspection:

Grade Inspection and Protein Tests: The testing of grain for grade and protein content constitutes one of the major activities of the department. This work is done in accordance with the grain standards of the United States Department of Agriculture. The grain inspectors of the department are licensed as federal grain inspectors and their work is subject to review by the federal government. Certificates issued by the department are accepted in all courts as prima facie evidence of the grade and protein content of the grain at the time of shipment.

Grain testing laboratories are maintained at Great Falls and at Harlowton in order to render immediate service to shippers on the Great Northern and on the Chicago, Milwaukee, St. Paul, and Pacific railroads. Montana state college through its experiment station also operates a grain laboratory at Bozeman for the convenience of shippers on the Northern Pacific railroad. Even though this laboratory at Bozeman is not under the supervision of the department of agriculture, labor, and industry, the same type of grade and protein certificates are issued there as are issued at Great Falls and Harlowton. In addition to testing grain for protein and grade, the laboratory at Bozeman analyzes seed for germinating quality. This latter type of testing is not done at either of the laboratories of the department of agriculture, labor, and industry.

The testing of grain for grade and protein content is highly seasonal work with a peak of work from about August 1 to November 1. The number of tests in each month of the fiscal year, 1940-1941, was as follows:

Month	Carload Grade In- spections	Sample Grade In- spections	Carload Protein Tests	Sample Protein Tests	Elevator Reports	Total
July	631	21	212	981	988	2,833
August	1,320	605	729	7,216	4,445	14,315
September	409	3,478	293	6,336	1,987	12,503
October	316	1,857	203	2,394	430	5,200
November	245	301	221	527	182	1,476
December	143	292	120	454	143	1,152
January	210	19	137	209	175	750
February	108	16	85	137	100	446
March	347	12	205	327	217	1,108
April	346	20	197	268	177	1,008
May	588	51	350	731	556	2,276
June	433	60	289	848	531	2,161





Because of the seasonal nature of this work it is necessary to recruit employes during the rush season and to dismiss them during the period when a small number of tests are made. It is seldom possible to secure the same persons year after year. Hence, considerable time is devoted each year to the training of new employes. It is not possible to place these persons on other work in the department when they are not needed for grain testing. Apparently the only solution is to arrange with the agricultural extension service to use these employes during the time when there is no work for them in the department of agriculture, labor, and industry, or to borrow employes from the extension service during the rush season. If some such plan could be worked out, the time now spent each year in the training process would not only be saved, but the experienced employes would be able to render more effective service.

Grain Testing Fees: The statutes provide that the cost of the grain inspection shall be paid by the owners of the grain except that the fee shall not exceed one-half cent a bushel when quantities of more than 1,000 bushels are being sampled. On amounts of less than 1,000 bushels, the fee is the same as that for 1,000 bushels. The fees charged by the department are as follows:

<u>Type of Test</u>	<u>Fee</u>
Carload grade inspection	\$ 1.50
Carload protein tests	.75
Submitted samples for grade inspection	.50
Submitted samples for protein tests	.50
Elevator reports for grade inspection and protein tests when no state certificate is issued	.50

The financial accounts of the department are not kept in such a manner as to permit comparison of the amounts collected by each laboratory with the cost of operating it. A statement of receipts and expenditures for the last three fiscal years of the laboratory at Great Falls was secured from the laboratory and is as follows:

<u>Fiscal Year</u>	<u>Receipts</u>	<u>Expenditures</u>
1938-1939	\$ 30,888.54	\$ 21,789.08
1939-1940	24,392.14	22,824.49
1940-1941	28,792.47	25,007.49

This statement indicates that the Great Falls laboratory collects more money from inspection fees than is expended in making the tests. A smaller number of tests is made at Harlowton than at Great Falls, and apparently it is more difficult to keep the cost of operation down to a point equal to the amount collected from grain growers. The financial accounts should be kept so as to show separately the receipts and expenditures of each laboratory.

The testing of grain is a special service to grain owners and should be continued only as long as the service is supported entirely by fees collected from these owners. It is probably desirable to have a separate laboratory at Harlowton for the convenience of shippers in the Judith Basin area, but unless this laboratory collects sufficient fees to cover the cost of operation it should be closed.

Farm Grain Storage: The statutes provide that the commissioner of agriculture is ex-officio farm storage commissioner and that it shall be the duty of such officer to administer the laws regulating the storage of grain to be held as security for credit. The commissioner is required to furnish a surety bond of \$20,000 to guarantee his faithful performance of the duties assigned to him.



Recent federal legislation has eliminated any demand or need for the state laws regulating farm grain storage. As a result of this, the attorney general has ruled that there is no reason for the commissioner of agriculture to post the surety bond required in the farm storage act. There seems to be no reason for keeping this act on the statute books and it is recommended that it be repealed.

Elevator and Warehouse Inspection and Licenses: In order to enforce the various state laws regulating the handling of grain, it is necessary to inspect elevators and warehouses. This inspection work consists of checking the type of equipment being used and the amount of grain on hand to cover the storage receipts outstanding. Only one inspector is employed to cover the entire state.

An annual license fee of \$15 is required of all grain merchandising establishments in the state. During the fiscal year 1940-1941 a total of 448 such licenses were issued. Each grain merchandising establishment is also required to have a weighman license for which no fee is charged. There seems to be no reason for this latter license, in addition to the license to engage in grain merchandising, since it only causes confusion and extra work. It is recommended that the law requiring the weighman license be repealed. If it is deemed necessary, the license for grain merchandising could also be made to cover weighing.

#### Control of Dairy and Poultry Products:

Inspections: The dairy division carries on an extensive inspection program that involves the checking of manufacturers and distributors of dairy products to determine that they are complying with the laws of the state and the regulations of the department of agriculture, labor, and industry. These laws and regulations pertain to the sanitary conditions of the plants as well as to the weight and quality of the products. The sanitary inspection of milk producers and distributors, however, is assigned by law to the livestock sanitary commission. The dairy division also regulates the marketing of eggs.

To facilitate the inspection work, a score sheet has been developed to grade the establishments on the various points that are to be covered during the inspection. These sheets have been developed by combining the various factors from the score sheets used by the United States department of agriculture and the United States public health service. A percentage is assigned to each point covered during the inspection, and the average percentage assigned to all of the factors is used as the final rating. These inspections cover the building and its environment, the equipment, and the methods being employed.

In addition to inspecting the physical plants of the establishments, the inspectors check the accuracy of the testing being done by Babcock testers, cream graders, and egg graders. The content of products such as cheese and butter is also checked.

The department does not maintain a laboratory. When inspectors desire a bacteria count in connection with their work, they submit samples to the laboratory of the state board of health.

The approximate numbers of the different establishments being inspected by the dairy division are as follows:



<u>Type of Establishment</u>	<u>Number</u>
Creameries	80
Cheese factories	7
Ice cream factories	150
Cream stations	60
Groceries (handling eggs)	1,000

There are at present three full-time inspectors and two others, including the inspector in charge of the dairy division, who do inspection work on a part-time basis. The inspectors are assigned territories throughout the state. Since there are but few inspectors, the cost of travel amounts to nearly one-third of the total expenditures of the division. This cost probably can not be reduced until all of the inspection work relating to dairy products is transferred to one agency. At the present time the livestock sanitary commission and the state board of health through its local health units are also engaged to a certain extent in inspecting various phases of the dairy industry. The consolidation of all of this work would permit the establishment of smaller districts and would reduce travel costs.

The position of chief of the dairy division has recently become vacant. Instead of filling this position, the commissioner of agriculture has designated one of the dairy inspectors as the inspector in charge of the dairy division. While there is a need for some one with technical qualifications to supervise the work of the dairy inspectors, he should not devote full time to supervisory activities. The inspector in charge of the dairy division should perform, on a part-time basis in a small district, the regular work of a dairy inspector.

The inspection of dairy and poultry products is a valuable service to the state and should be continued. It is of benefit to the consumer in that certain sanitary standards are maintained and in that reliance can be placed on the quality of the products as stated on the labels. It protects the producer by assuring him that his products are accurately and fairly graded and tested.

Issuance of Licenses: In connection with the control of dairy and poultry products, the department of agriculture, labor, and industry issues a large number of licenses. All of the licenses and the fees charged for them are provided for by law. These licenses, and the fees for each, are as follows:

Babcock tester: original \$2 a year and renewal \$1 a year.

Cream grader, weigher, and sampler: \$2 a year.

Creamery or butter wholesaler: \$20 a year minimum and \$5 for each 100,000 pounds of products handled in excess of 100,000 pounds.

Cheese manufacturer or wholesaler: \$20 a year minimum and \$5 for each 100,000 pounds of products handled in excess of 100,000 pounds.

Ice cream manufacturer: \$5 a year for the first 1,000 gallons of ice cream manufactured, \$20 for 1,000 to 10,000 gallons, and \$5 for each 10,000 gallons in excess of 10,000 gallons.

Cream station: \$5 a year for the first 1,500 pounds of butterfat handled on an average per month, \$10 for over 1,500 pounds and less than 3,000 pounds, \$15 for over 3,000 pounds and less than 6,000, and \$20 for 6,000 or more pounds of butterfat handled each month.

Cream hauler: \$5 a year.

Retail egg dealer: \$2 a year if on the average 25 or more cases are handled each month.





Wholesale egg dealer: \$20 a year.

Egg grader: \$1 a year.

Oleomargarine retailer: \$400 a year. (This can be bought for one quarter of a year.)

Oleomargarine wholesaler: \$1,000 a year. (This can be bought for one quarter of a year.)

In addition to these licenses, the dairy division also sells egg seals that are used on packages of eggs to indicate the grade.

The receipts collected by the dairy division from licenses and the sale of egg seals, for the calendar years 1939 and 1940, may be shown as follows:

<u>Source</u>	<u>1939</u>	<u>1940</u>
Babcock tester licenses	\$ 297.00	\$ 302.00
Cream grader licenses	322.00	340.00
Dairy products manufacturers licenses	6,125.00	6,170.00
Wholesale butter and cheese dealer licenses	620.00	680.00
Cream station licenses	890.00	855.00
Cream hauler licenses	195.00	230.00
Egg dealer licenses (retail and wholesale)	1,938.00	1,508.00
Egg grader licenses	98.00	136.00
Egg seals	5,102.95	5,120.03
Oleomargarine licenses	11,000.00	11,900.00
Miscellaneous	253.15	438.04
Total	<u>\$ 26,841.10</u>	<u>\$ 27,579.07</u>

It is to be noted that a large part of the total yearly receipts collected by the dairy division are derived from oleomargarine licenses.

#### Labor Activities:

Regulation of Working Conditions: It is the responsibility of the department of agriculture, labor, and industry to enforce all of the state laws regulating working conditions. There are about 90 statutory provisions pertaining to working conditions and, in addition, the constitution specifies that a period of eight hours shall constitute a day's work in all industries, occupations, undertakings, and employments except farming and stock raising. The department also is required by legislative act to cooperate with the federal government by distributing information to employers concerning the federal laws regulating working conditions.

As has been noted previously, there are only two employees in the department carrying out the labor functions, and one of these devotes only part time to labor activities. The work that is being done by the labor division seems to be satisfactory in so far as it goes, but, of course, only a small part of the field is being covered. Unless more employees are provided the activities pertaining to the regulation of working conditions must necessarily remain considerably restricted.

There seems to be a need for the adoption by the legislature of an act consolidating the more than 90 statutes pertaining to working conditions, eliminating ambiguities and conflicts among the various statutes, and establishing consistency with reference to the various principles adopted. Such an act would assist the employer and the employee in understanding the legal rights and



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privileges of each and would benefit the state by making the regulation of working conditions more economical and effective.

Mediation of Labor Disputes: An important phase of the work of the labor division is assisting in the peaceful settlement of controversies arising between employers and employees. It is the policy of the labor division to offer its services in such disputes but not to use any coercive measures. Either party to a controversy may refuse the offers of the division. The objective of the labor division is to assist employers and employees to reach amicable agreements acceptable to both interests without the threat or use of force.

The effectiveness of the policy of the labor division in handling labor disputes is shown by the fact that only a very small number of strikes have occurred in Montana in recent years. During the fiscal year 1939-1940 all major labor controversies were settled before there was any economic loss on the part of the workers.

The statutes provide that, "There is a state board of arbitration and conciliation consisting of three members, whose term of office is two years and until their successors are appointed and qualified. The board must be appointed by the governor, with the advice and consent of the senate." This board is now inactive and has not functioned for several years. Apparently the need for it has ceased to exist, and it is recommended that the law establishing it be repealed. The voluntary settlement of disputes under the guidance of the labor division seems to be more satisfactory than by the arbitration and conciliation machinery provided in this law, but some provision should be made for a special committee to be appointed to deal with any individual case where a settlement can not be reached in this way.

Child Labor Certificates: In connection with the state and federal laws regulating the employment of children, the department issues age certificates permitting children to perform certain types of work. These certificates are issued after application has been made by the employer, showing the age of the individual and the type of work to be done. The department does not usually investigate to verify the fact that the conditions of employment are those outlined in the application, but the age is checked against the vital statistics records of the state.

At the present time when applications are received for age certificates, an employee of the department takes the application to the offices of the state board of health, and checks the vital statistics records to verify that the age, as stated on the application, is correct. While the number of applications has not been large, considerable time is lost each year by this practice. It is recommended that a form be drawn up to be used to request the state board of health to certify the age of individuals desiring age certificates. Then when applications are received the name of the person could be inserted on the form and form sent to the state board of health. Such a procedure would not only save time, but it would give the department of agriculture, labor, and industry a permanent record of the age as certified by the state board of health.

There is a statute requiring the department to keep a record of the age of all children in the state under the age of sixteen. This has not been done because such records would be a duplication of the vital statistics records of the state board of health and would serve no useful purpose. This statute should be repealed.

Free Employment Service: According to the statutes, the labor division of the department of agriculture, labor, and industry is required to administer



all of the laws of the state relative to free employment offices. Because of recent federal legislation in this field, the operation of employment services is handled by the Montana unemployment compensation commission. The statute placing the operation of the employment service in the department of agriculture, labor, and industry should be repealed.

#### State Fair:

In spite of the fact that the statutes are specific in providing that there shall be an annual fair conducted by the department of agriculture, labor, and industry no fair has been held in recent years by the state. There is a statutory provision for a state fair advisory board consisting of one member from each county. The state owns considerable land and several buildings, including a grandstand, at Helena where the fairs were formerly held.

It has been found that the needs of the state for a fair are being met adequately by organizations operating without state subsidy. Montana is to be congratulated on being able to resist the temptation to expend large amounts each year on a state fair. The statutory provisions making a state fair mandatory and creating a state fair advisory board should be repealed.

The state fair property is seldom used and the amount derived from renting it for various purposes just about covers the cost of maintaining a custodian. It is recommended that as many of the buildings and as much of the land as are not needed for state purposes be sold as soon as practicable.

#### Weights and Measures:

The legislature in 1939 transferred the functions of the state sealer of weights and measures from the office of the secretary of state to the department of agriculture, labor, and industry. But even prior to this transfer, scale inspection work was done by the department of agriculture, labor, and industry. The regulation of weights and measures for petroleum products is assigned by law to the public service commission.

There are at present three scale inspectors in the department. Two of these inspectors are assigned equipment that enables them to test the largest truck and railroad scales in use in the state. These inspectors are placed in the eastern part of the state. Another inspector who uses equipment for smaller scales is assigned to the western part of the state. The testing equipment used by these men is owned by the state, but the trucks on which the equipment is transported are privately owned. For the trucks hauling the heavier equipment the department reimburses the owners at the rate of eleven cents a mile, and for the truck transporting the lighter equipment the reimbursement rate is nine cents a mile. These rates have been reduced recently from  $12\frac{1}{2}$  cents and 10 cents respectively.

These trucks are in use almost continuously during the year on state business, and each owner was reimbursed for about 15,000 miles traveled during the fiscal year, 1940-1941. It, therefore, seems that the state should purchase trucks for use in this work.

The fees established by the statutes for scale inspection are as follows:

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<u>Type of Scale</u>	<u>Fee</u>
Railroad track scale	\$ 10.00
Grain shipping hopper scale with capacity of 40,000 pounds or more	10.00
Wagon scale, truck scale, coal scale, dump scale, automatic or hopper shipping scale, beet scale, or stock scale	5.00
Dormant platform scale and dial scale with capacity of 500 to 1,000 pounds	2.00
Portable scale, meat track scale, hanging scale, or commercial person-weighing scale	1.00
Grain testers and other small scales used for weighing and testing grain in grain elevators and warehouses	.50
All counter scales with capacity of 1 to 10 pounds	.25
All counter scales with capacity of 10 to 75 pounds	.75

The department collected a total of \$17,382.17 from these scale inspection fees during the fiscal year 1939-1940.

#### Real Estate Licenses:

The supervision of the licensing and bonding of real estate dealers is assigned to the department of agriculture, labor, and industry. Except for the examination of the bonds and issuance of the licenses there is little to be done in connection with the regulation of the real estate dealers. The department investigates cases of persons dealing in real estate without a license. Usually these investigations are made as a result of a complaint submitted to the department, and the number of cases is not large.

The fee for a real estate broker's license is \$10 a year and for a real estate salesman's license \$5 a year. During the fiscal year, 1940-1941, the department issued 277 real estate broker licenses and 50 real estate salesman licenses.

#### Commercial Fertilizer Licenses:

All commercial fertilizer manufacturers and importers are required to secure a license in order to sell their products in Montana. The fee for the license is \$25 a year. These licenses are issued by the department of agriculture, labor, and industry, and during the fiscal year 1939-1940 a total of \$400 was collected from such licenses.

Before a license is issued the fertilizer to be marketed by the applicant is analyzed by the chemist of the agricultural experiment station at Montana State College. The purpose of this analysis is to determine the content of the fertilizer and to check the accuracy of any statements made on the labels of the fertilizer packages. A report in the form of a bulletin showing the results of these analyses is published each year by Montana State College. In 1939-1940 the total cost of the chemical analyses and the publication was \$302.86.

This licensing process makes it possible for farmers to depend on the package labels to indicate the exact quality of the fertilizer products. This service, however, should be rendered by the state only as long as the license fees cover the entire cost of the analysis and the report.

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Location of Offices:

The central offices of the department of agriculture, labor, and industry are located at the state capitol building in Helena. The headquarters office of the division of horticulture, however, is in Missoula. There are laboratories at Great Falls and Harlowton, while the various inspection centers of the division of horticulture are scattered throughout the state.

The cities in which the department rents building space and the monthly rents are as follows:

<u>City</u>	<u>Rent per Month</u>	<u>City</u>	<u>Rent per Month</u>
Great Falls	\$ 115.50	Glendive	\$ 20.00
Harlowton	25.00	Hamilton	20.00
Missoula	60.00	Glasgow	20.00
Billings	50.00	St. Regis	20.00
Bozeman	20.00	Troy	15.00
Butte	10.00	Culbertson	10.00
Great Falls	20.00	Laurel	15.00
Kalispell	20.00		

The division of horticulture also pays \$15 a year for land rentals at both West Yellowstone and Hardin.

The laboratory at Great Falls is poorly located. The space is not adequate to allow proper placement of the equipment, with the result that the arrangement of the equipment in the present quarters causes considerable delay. Employees unavoidably interfere with one another's work. The space is not only inadequate, but it is in a building in the center of the city where rents are high. This laboratory should be moved to a state-owned building in Great Falls if that is possible. In case there is no space available in a state-owned building, adequate space should be secured in a lower rent section of the city.

It is reported that the central office of the division of horticulture is located in Missoula because most of the fruit and vegetable inspection work is done in the western part of the state. It is probably desirable to have a supervising inspector placed in Missoula, but the division should be moved to Helena as soon as space is available. The administration of the department by the commissioner of agriculture would be facilitated if this move were made. The present quarters in Missoula are quite adequate for the purposes to which they are being put, but if the central offices were moved to Helena, the inspection work could be done from quarters that would cost less rent.

Receipts and Expenditures:

Receipts: The receipts of the department of agriculture, labor, and industry prior to the beginning of the fiscal year 1941-1942 were credited to revolving funds and expended without specific appropriation by the legislature. The amounts collected by the department during the fiscal years 1938-1939 and 1939-1940, were as follows:



<u>Source</u>	<u>1938-1939</u>	<u>1939-1940</u>
Grain inspection fees and warehouse licenses	\$ 43,161.94	\$ 36,585.17
Scale inspection fees	15,314.07	17,382.17
Fruit, vegetable, and nursery inspection fees and licenses	51,783.63	56,971.03
Dairy and poultry licenses and sale of egg seals (including oleomargarine licenses)	24,691.06	26,894.90
Real estate dealer licenses	2,723.60	3,173.55
Fertilizer licenses	300.00	350.00
Rents from state fair grounds	90.00	960.00
Total Receipts	<u>\$138,064.30</u>	<u>\$142,316.82</u>

These receipts were supplemented by legislative appropriations of \$41,750 in the fiscal year 1938-1939, and of \$30,250 in the fiscal year 1939-1940. An item of \$10,000 in the appropriations for 1938-1939 for the Golden Gate Exposition accounts for the large difference between the appropriations for the two years.

The legislature appropriated \$34,250 to the department for the fiscal year 1940-1941 and all of the money collected by the department during the year was expendable without specific legislative appropriation.

Expenditures: The expenditures of the department for the fiscal year 1939-1940 were as follows:

<u>Class of Expenditure</u>	<u>1939-1940</u>
Administration division	
Personal services	\$ 9,350.35
Current operations other than personal services	1,457.95
Capital outlays	55.75
Total, administration division	<u>\$ 10,864.05</u>
Dairy division	
Personal services	\$ 14,427.44
Current operations other than personal services	12,588.00
Capital outlays	239.68
Total, dairy division	<u>\$ 27,255.12</u>
Grain division	
Personal services	\$ 31,134.37
Current operations other than personal services	18,443.63
Capital outlays	2,751.20
Total, grain division	<u>\$ 52,329.20</u>
Horticulture division	
Personal services	\$ 46,430.22
Current operations other than personal services	21,573.03
Capital outlays	588.24
Total, horticulture division	<u>\$ 68,591.49</u>
Labor and publicity division	
Personal services	\$ 5,000.00
Current operations other than personal services	978.24
Capital outlays	13.80
Total, labor and publicity division	<u>\$ 5,992.04</u>



<u>Class of Expenditure</u>	<u>1939-1940</u>
Real estate division	
Personal services	\$ 1,800.00
Current operations other than personal services	209.71
Capital outlays	<u>29.20</u>
Total, real estate division	\$ <u>2,038.91</u>
Commercial fertilizer division	
Personal services	\$ 125.00
Current operations other than personal services	<u>177.86</u>
Total, commercial fertilizer division	\$ <u>302.86</u>
Golden Gate Exposition division	
Personal services	\$ 2,356.50
Current operations other than personal services	<u>4,079.12</u>
Total, Golden Gate Exposition division	\$ <u>6,435.62</u>
Grand total, department of agriculture, labor, and industry	\$ <u>173,809.29</u>

The appropriations to the department for the biennium 1941-1943, include the total amounts that can be expended during the period. All of the money collected by the department is being deposited in the general fund of the state. The appropriations for the biennium are as follows:

	<u>1941-1942</u>	<u>1942-1943</u>
From the general fund		
Administration division		
For salaries fixed by law	\$ 5,000	\$ 5,000
For salaries not fixed by law	4,000	4,000
For capital, repairs, and replacements	250	250
For operation	1,750	1,750
Dairy division		
For salaries and expenses	25,000	25,000
Grain grading and scale testing division		
For salaries and expenses	50,000	50,000
Horticulture division		
For salaries and expenses	60,000	60,000
Labor and publicity division		
For salaries and expenses of labor commissioner	5,000	5,000
State fair grounds		
For salaries and expenses	900	900
Real estate division		
For salaries and expenses	2,500	2,500
Fertilizer division		
For salaries and expenses	350	350
From the highway fund		
Horticulture division	6,000	6,000
From the liquor board fund		
Horticulture division	<u>2,500</u>	<u>2,500</u>
Total	\$ <u>163,250</u>	\$ <u>163,250</u>





At the time these appropriations were made, the department estimated that receipts in each of the two fiscal years would amount to \$130,100. Thus, the appropriations exceed estimated receipts by \$33,150. This amount is to be compared with the legislative appropriation of \$34,250 for the fiscal year 1940-1941.

Unless the receipts of the department exceed the estimates, it is doubtful that the entire appropriation will need to be expended. The estimated receipts of the grain grading and scale testing division for each year of the biennium are \$42,000 whereas the appropriation for the division is \$50,000 for each year. The expenditures of this division should not exceed the amount collected in fees for the services rendered.



Summary of Recommendations:

The recommendations expressed or implied in this report may be summarized as follows:

Recommendations Not Requiring Legislation:

- (1) That the department be reorganized to consist of the following organization units:
  - Office of the commissioner
  - Division of horticulture
  - Division of grain standards and marketing
  - Division of farming and dairying
  - Division of labor and publicity
  - Custodian of state fair property
  - Division of weights and measures
  - Division of licenses and administration
- (2) That all of the licensing activities of the department be centralized in the division of licenses and administration under the direction of a chief license clerk.
- \* (3) That the commissioner of agriculture serve also as the head of the division of weights and measures.
- \* (4) That the practice of allowing employes to retain extra pay for performing services for other divisions or agencies be discontinued.
- \* (5) That the positions of department accountant, department attorney, and director of publicity, which have been abolished recently, be not reestablished.
- \* (6) That the central office of the division of horticulture be moved to the state capitol in Helena.
- \* (7) That if the central office of the division of horticulture is moved to the state capitol in Helena, the present quarters of the division in Missoula be abandoned and space for inspecting horticulture products be secured in cheaper quarters.
- (8) That the state be divided into three districts or regions for purposes of providing supervision of horticulture inspection.
- \* (9) That the head of the horticulture division directly supervise the horticulture inspectors located in the territory surrounding Helena.
- \* (10) That the present chief inspector be placed in charge of a horticulture district in the western part of the state where the inspection work is heaviest.
- (11) That one of the top ranking horticulture inspectors be assigned the job of supervising the inspectors in an eastern district.
- \* (12) That the practice of allowing the public to place long distance telephone calls from department telephones be discouraged.
- \* (13) That an attempt be made to work out an arrangement with the extension service of Montana State College whereby it would be possible for the extension service to use the grain laboratory employes of the department when there is no work for them in the laboratories.
- \* (14) That the grain laboratory at Great Falls be moved to a state-owned building in Great Falls if possible and in any case that it be moved to a location that provides adequate space for the equipment and that can be secured for less rent than the present quarters.
- \* (15) That the grain laboratory at Harlowton be maintained only as long as it collects sufficient fees to cover the cost of operation.



- (16) That grain protein testing and grade inspection service of the department be operated on the basis of spending no more than is collected for its services.
- \*(17) That the inspector in charge of the dairy division perform the duties of a regular inspector in a small district in addition to supervising the work of other inspectors.
- (18) That the state purchase the trucks that are used to transport the scale inspection equipment.
- \*(19) That the state retain for its own use only as much as is needed of the state fair property and that the remainder be sold as soon as possible.
- \*(20) That the labor division make use of a form to request age certificates from the state board of health, rather than have an employe of the division check directly the vital statistics records in order to verify the age of persons under sixteen requesting permits to work.

Recommendations Requiring Legislation:

- (21) That the functions of the department and the commissioner of agriculture be assigned directly to them without giving the commissioner such ex officio designations as state sealer of weights and measures, real estate commissioner, and farm storage commissioner.
- (22) That the Montana farmers' institute, which is now inactive and for which the need has ceased to exist, be abolished.
- (23) That the divisions of the department be given titles that more adequately describe the nature of the work of each division.
- (24) That the state laws regulating farm grain storage be repealed. (Even if it is considered desirable not to repeal these laws, the statute requiring the commissioner of agriculture to furnish a surety bond of \$20,000 to guarantee his faithful performance of the duties of farm storage commissioner should be repealed.)
- (25) That, since there seems to be no reason for requiring the weighman license from licensed grain elevators, the statute requiring it be repealed.
- (26) That the more than 90 statutes pertaining to working conditions be consolidated into one concise and consistent code.
- (27) That the statute establishing a board of arbitration and conciliation, which is now inactive, be repealed.
- (28) That the statute requiring the department to keep a record of the age of all children in the state under the age of sixteen be repealed because such records would be a duplication of those kept by the state board of health.
- (29) That the statute requiring the department of agriculture, labor, and industry to administer all of the laws of the state relative to free employment offices be repealed because recent federal legislation makes the operation of free employment services a logical function of the Montana unemployment compensation commission, to which similar responsibilities are assigned.
- (30) That the statutes making a state fair mandatory and creating a state fair advisory board be repealed.

\* Recommendation approved by Governor's Committee on Reorganization and Economy.

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STATE OF MONTANA

GOVERNOR'S COMMITTEE ON REORGANIZATION  
AND ECONOMY

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STATE WATER CONSERVATION BOARD  
AND AFFILIATED AGENCIES

(Report No. 24)

October 18, 1941

Prepared by  
Griffenhagen & Associates



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REPORT ON  
STATE WATER CONSERVATION BOARD  
AND AFFILIATED AGENCIES

Introduction:

In the field of water conservation and related fields, there are several agencies of the state government which are set up independently by statute but which actually operate together as if they were one centralized state agency.

These agencies are the state water conservation board, the rural electrification authority, the state planning board, the office of the state engineer, and the Carey land act board, all of which are discussed in this report.

The Carey land act board was created in 1903 and in the same year, by the same act, the office of the state engineer was established. The state engineer was made secretary of the Carey land act board. In recent years, the work of the Carey land act board has decreased, until now it requires only a small part of the time of one employee. All of the other agencies were created in 1935 and each is connected in one way or another with the office of the state engineer. Each has broadened the duties of the state engineer and to a large degree he is responsible for the operations of each.

Composition and Functions of the Several Agencies:

By law the state water conservation board consists of five members, two of whom are the governor, as chairman, and the state engineer, both ex officio. The three remaining members are appointed by the governor for overlapping terms of six years each. The board meets twice each month. Its primary function, as stated by law, is to control the "construction, development, storage, distribution and utilization of water." The board is a body corporate with power to acquire land, rights, water rights, easements, franchises, and other property with title in the name of the board. The board is further empowered to issue water conservation revenue bonds for the purpose of financing water conservation projects. Such bonds are payable only from revenues derived from the particular project financed from their proceeds and the state disclaims any liability for the payment of either principal or interest.



The responsibility for the operation of the rural electrification authority is vested in the state water conservation board. The function of the authority, as stated in the title of the act, is to promote and encourage "the fullest possible use of electric energy in the state by making electric energy available to inhabitants of the state at the lowest cost consistent with sound economy and prudent management."

The state planning board, by statute, consists of five members "who shall be the same persons who compose the state water conservation board." The primary function of the state planning board is "to make and adopt a comprehensive plan for the physical development of the state of Montana and to make such related economic and social studies as may be needed in carrying out the purposes of this act."

The Carey land act board was created by act of the legislature in 1903 as the successor to the state arid land grant commission. The board consists of three ex officio members - the governor, the secretary of state, and the attorney general. The state engineer by law acts as secretary of the board. The main function of the board, as stated in the statutes, is "to enter into contracts in behalf of the state with the United States for the reclamation and irrigation of ..." certain lands.

The state engineer is secretary to the Carey land act board and is a member and chief engineer of the state water conservation board. As a member of the state water conservation board he also serves as a member of the state planning board and of the rural electrification authority. The principal function assigned directly to the office is cooperating with the United States Geological Survey in connection with stream gauging. He is also charged with the duty of negotiating "with the duly constituted authorities or agencies of the United States in the preparation of interstate compacts and agreements governing the use, distribution and allocation of the water of any stream or streams flowing from Montana into such other state or states or flowing from such other state or states into Montana."

The staffs of the several agencies in July 1941 were as follows:

<u>Agency</u>	<u>Number of Employees</u>
State water conservation board	60
Rural electrification authority	7
State planning board	1
Carey land act board	-
Office of the state engineer	<u>4</u>
Total	<u>72</u>



The Carey land act board has the part-time services of an assistant state engineer and a stenographer carried on the staff of the state engineer's office.

The state engineer reports to the governor on matters relating to his duties as state engineer and to the state water conservation board, of which he is a member, on the engineering phases of the work of the state water conservation board, the rural electrification authority, and the state planning board.

The work of each of these agencies is discussed in turn in the remaining pages of this report.

#### Functions and Activities of State Water Conservation Board:

The responsibilities and powers of the state water conservation board are enumerated at length by statute. These may be summarized as follows:

To acquire land for and construct, maintain, and operate works and systems for the conservation and development of natural resources, particularly, reservoirs, irrigation and drainage systems or projects, and flood control projects.

To construct, maintain, and operate any works eligible for federal loans, where no other state agency is authorized to develop such projects.

To accept federal grants and to execute any instruments necessary for the purpose of obtaining grants or loans, or both, from any federal agency.

To contract debts for the construction and operation of any system or project, to borrow money, and to issue water conservation board revenue bonds to finance such construction.

To accept from private owners deeds or other instruments of trust relating to land and to subdivide, improve and sell such lands.

To investigate and select for settlement suitable areas of undeveloped lands in the state suitable for settlement.

To make on any lands such improvements as may be necessary to render the same habitable and productive.

To fix, maintain and collect fees, rents, tolls and other charges for services rendered.





The state water conservation board has devoted its time and resources largely to the extension and development of existing waterworks and irrigation systems. It has not attempted to reclaim arid areas through development of irrigation projects. The board has apparently gone on the assumption that more benefits would accrue to the state by enhancing the value of land, which though partly irrigated, needed the water in larger quantities and the assurance of an adequate water supply in the growing season.

In conformity with the law the board, at various times, has entered into agreements with the Federal Emergency Relief Administration, (FERA), the Public Works Authority, (PWA), the Works Projects Administration, (WPA), and several municipal subdivisions of the state.

#### Organization and Staff of the State Water Conservation Board:

The work of the state water conservation board is, for the most part, seasonal and the number of employes varies with the season. The volume of construction work is limited by the amount of financial aid that can be secured from the federal government. This aid has fallen off sharply due to the pressure of the defense program. In fact, little if any aid can be counted on for any projects on which the government has not already pledged its aid.

The volume of construction was heavy in 1938, 1939, and 1940 but dropped materially in 1941. That the board has kept the number of employes in ratio to construction activity is evidenced by the following tabulation:

<u>Payroll Period</u>	<u>Total Number of Employes</u>
January 1938	90
June 1938	215
January 1939	62
June 1939	178
January 1940	83
June 1940	131
January 1941	74
June 1941	90

A detailed comparison of the staff as it existed in June 1938 and June 1941 follows:



<u>Type of Employees</u>	<u>June 1938</u>	<u>June 1941</u>
Administrative	11	5
Legal and right-of-way	8	4
Engineering office and testing laboratory	17	11
Field engineers and clerks	82	25
Drilling crew	-	6
Labor coordinator	1	1
Operation and maintenance	4	3
Shovel operators and laborers	<u>92</u>	<u>36</u>
Total	<u>215</u>	<u>91</u>

The following tabulation shows the staff of the state board of water conservation as it existed in July of 1941, when there were 60 employees. Indentations show lines of authority and responsibility.

<u>Title of Position</u>	<u>Number of Positions</u>	<u>Salary Rate</u>
Assistant secretary-treasurer	1	\$3,900
Stenographer	1	1,500
Acting draftsman	1	1,680
Chief accountant	1	2,880
Clerk	1	1,500
Chief counsel	1	3,600
Stenographer	1	1,500
(State engineer)	-	
Engineer, right of way	1	2,460
Chief of party	1	2,520
Instrument man	1	1,800
Operation and maintenance chief	1	3,300
Investigator	1	1,800
Project inspector	1	2,700
Project inspector	1	2,580
Project inspector	1	2,400
General foreman, patrolman	1	.60 hour
Dam tender and patrolman	1	1,440
Patrolman	2	.50 hour
Construction engineer	1	4,200
Stenographer	1	1,440
Project engineer	1	2,460



<u>Title of Position</u>	<u>Number of Positions</u>	<u>Salary Rate</u>
Chief designing engineer	1	\$3,300
Designing engineer	1	2,580
Draftsman	2	1,920
Junior inspector	1	1,680
Labor foreman	1	4.50 day
Laborer	7	.50 hour
Field engineer	1	2,100
Driller	1	1,980
Driller's helper	1	1,680
Truck driver	1	1,500
Laborers	3	4 day
Project engineer	1	3,600
Field engineer	1	2,220
Rodman	1	1,500
Field engineer	1	2,220
Field engineer	1	2,100
Rodman	1	1,500
Field engineer	1	1,920
Rodman	1	1,500
Field engineer (WPA)	1	2,200
Instrumentman	1	1,800
Shovel and dragline operator	1	2,160
Operator and mechanic	1	2,100
Inspector	1	1,980
Shovel operator	1	1,800
Inspector	2	1,980
Junior inspector	1	1,680
Office engineer	<u>1</u>	1,620
Total	<u>60</u>	

The appointed members of the state water conservation board, not shown in the tabulation, receive \$10 for each meeting of the board attended.





In addition to the employees shown on the foregoing tabulation, there is a part-time labor coordinator who received \$1,200 a year from the state water conservation board and \$2,400 from the highway commission. The duties of the labor coordinator embrace the relationship of the contractor and his employees, the settlement of labor difficulties before they take serious form and the enforcement of clauses in contracts pertaining to labor, wages, conditions of employment, and the like. It is reported that the work of the labor coordinator, during the time that the state water conservation board was supervising the work of several contractors, was highly satisfactory and that he was able in some instances to settle disputes and disagreements between contractors and labor without loss of time to the job. However, the board has almost no work under way at the present time. Consequently the normal function of the labor coordinator has become non-existent and he is being used on other types of work. There is no occasion at the present time for a labor coordinator and it is suggested that the position as such be discontinued in the water conservation board.

With the practical elimination of federal aid all, or nearly all, construction work will cease and the staff of the board will have to be materially decreased or used on other types of work other than construction. The present force can be used to advantage tying up the loose ends on finished projects and making preliminary surveys and performing investigational work on proposed projects. This phase of the work is discussed later in this report.

The staff is divided under two heads. Business administration is under the assistant secretary-treasurer and the engineering force is under the state engineer. Although this plan is defective, the present incumbents cooperate with each other to the fullest extent which permits the work to be carried on smoothly. The lines of authority and responsibility under each head are definite and the work is apparently carried on in an orderly and effective manner. However, one of the two, preferably the state engineer, should be made the executive head of the organization.

#### Preliminary Steps in Inauguration of Water Projects:

Initiation of Projects: All water conservation and extension projects are initiated by local cooperative associations. These associations apply to the state water conservation board to extend and improve existing irrigation works. The board, to date, has made no attempt to inaugurate any water projects except on the basis of applications by local groups.



Preliminary Surveys and Estimates: After an application has been received by the board, the engineering staff makes estimates of the amount of additional water that might reasonably be expected to be available through improvements. The staff makes a survey and determines the type of work necessary to produce the additional water and estimates the cost of the improvement. The preliminary survey includes the number of prospective water uses and the amounts they might be expected to use. The estimated cost per acre foot, or minor's inch, of water is then determined and a unit price established. The unit cost is calculated on the basis of payment of all costs entering into the project, with a margin for contingencies.

Securing of Conditional Agreements: After the unit price for which water will be supplied has been determined the board obtains conditional agreements with prospective water users. These agreements, in effect, simply state that, if and when the board proceeds with the work contemplated, the user agrees to buy a fixed amount of water each year for a definite term of years at the estimated cost per unit. After the expiration of the term no further payments are to be made on account of capital expense. The prospective user also agrees to pay an additional sum for operation and maintenance of the project after its completion. The board has no official responsibility for operation and maintenance, but does advise with the users as to the amount of the annual tax necessary for operation, maintenance, and repair.

Application for Federal Aid: After agreements have been filed with the board, a tabulation of probable income is made and the feasibility of the project from a financial standpoint is determined. If it is found feasible, the board applies for federal aid. The bulk of the construction work performed by the board to date has been financed through PWA. In any case, after review of the preliminary estimates on costs and revenues the federal agency accepts or rejects the application for federal aid. It is reported that in many cases the federal agency involved has reduced the estimated cost before authorizing aid. The direct grants made by PWA are based on a flat percentage, usually 45 percent of the estimated cost of the project. Grants from WPA are for the most part grants of labor only. All grants of federal aid are predicated on the board's ability to obtain definite contracts from water users to replace the agreements mentioned previously in this report.

### Financing of Water Projects:

Water Use Contracts: Immediately upon the tentative approval, by the federal agency, of a project, the board enters into formal contracts with prospective water users on the basis of the original agreements. These contracts obligate the board to make available certain amounts of water to each user annually. The user, in turn, agrees to pay for his allotment of water at a fixed

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unit price and further agrees to contribute toward the operation, maintenance, and repair of the project. The user agrees to make not more than thirty annual payments to cover the capital outlay on the project. If the cost of construction is paid by less than thirty annual payments, thereafter the only obligation of the water user is to pay a small tax for operation and maintenance. Each project is an entity of its own and no revenue received for one project can, by law, be applied to the cost of any other project.

Federal Aid Grants: Outright federal aid grants have been received from the Federal Emergency Relief Administration (FERA), the Public Works Authority (PWA), and the Works Progress Administration (WPA). All grants have been made on specific projects after investigation by the federal agency. These outright grants from the various federal agencies have totaled over six million dollars since the organization of the state water conservation board.

Bond Issues: The state water conservation board has the power by state law to issue bonds for financing water conservation projects. These bonds are not obligations of the state of Montana and are payable solely from the revenues derived from the respective projects for which they are issued. It has been the practice of the board to sell bonds on each of its major projects in the amount of the difference between the estimated cost of a project and the direct federal grant. These bonds carry four percent interest and have been, almost without exception, bought by the Reconstruction Finance Corporation (RFC). The bonds are in serial form with interest payable annually and are callable at any interest date in the reverse order of their maturity. On call, a premium of  $\frac{1}{4}$  of 1 percent is prescribed for each remaining year of the life of the bond from the call date to maturity. In addition to a pledge of all revenue accruing from the project the bonds carry a provision that, in the event of default of principal or interest, the bond holders may take over the project for operation, on petition of holders of 10 percent of the amount of the issue. This makes the bonds mortgage bonds as well as revenue bonds and should add to their value.

### State Participation in Water Projects:

Comparison of Estimated and Final Costs of Projects: During the progress of construction the board advances sufficient funds to meet current expenses and is reimbursed from time to time by federal agencies. When the actual cost of a project exceeds the original estimate the board advances the amount of the excess with expectations of being reimbursed after the bonds for the project are retired. In some cases where the overage has been high the PWA has supplemented its original grant with additional funds.





The tabulation on the next page shows the cost of all projects constructed with PWA aid. The tabulation shows the amount of the grant, the amount of bonds sold, the amount advanced by the board, and the total cost of each project.

The third column in the tabulation - the amount of the grant plus the amount of bonds sold - represents the preliminary estimate of total cost on each project as allowed by the PWA. The fourth column - the amount advanced by the board from the revolving fund - represents the difference between the final cost and the original estimate.

In the case of Project K - Big Dry Project - \$50,000 of bonds were sold. Subsequent to the completion of the project there was a failure, necessitating extensive reconstruction. The PWA agreed to buy and cancel the \$50,000 of bonds already issued as an additional grant for the work.

The tabulation shows that the board has advanced on PWA projects the sum of \$1,439,464 to June 30, 1941. In addition to this amount the board has advanced \$283,118 on WPA projects and \$354,123 on miscellaneous projects financed in part by WPA, by PERA or by municipal subdivisions. This makes a total of \$2,076,705 advanced by the board to finance water conservation projects.

Practically all of the \$1,439,464 advanced by the board to finance PWA projects was necessitated by the fact that the preliminary estimate of costs was less than the final estimate paid the contractor. Had it been possible to make preliminary estimates that would have equaled the final estimate, about 45 percent of this advance, or about \$650,000, would have been financed by direct grant from the PWA and the balance sold as bonds. The board has tied up over \$1,400,000 of state money for a considerable period through underestimates of costs. Representatives of the board state that there are two reasons for the difference between the preliminary cost and the final cost: first, the lack of time granted by the PWA for investigational work in the field and second, reductions by the PWA of original estimates of cost. It was stated that in most cases the period allowed by the PWA for filing applications was so short that only the most rudimentary surveys could be made of proposed work. Estimates based on this type of survey could hardly be expected to produce results of any degree of accuracy. Differences in preliminary estimates and final costs are, of course, unavoidable. On contracts where unusual conditions are not present and where reasonably complete investigational data is available, preliminary estimates should not exceed final costs by more than about 5 percent. Where unusual conditions exist estimates of unit costs are, in any case, largely guesses and greater differences are to be expected.





## PUBLIC WORKS ADMINISTRATION PROJECTS

As of June 30, 1941

Project	P.W.A. Grant	Bonds Sold	Total Grant Plus Bonds	Advanced From Revolving Fund	Total Cost
A Red Lodge Rock Creek	\$ 177,000	\$ 535,000	\$ 712,000	\$ 39,310	\$ 751,310
B Conrad Domestic Water Supply	66,716	87,000	153,716	4,525	158,241
C Willow Creek Storage	104,727	128,000	232,727	26,816	259,543
D North Fork Smith River	110,712	143,000	253,712	7,928	261,640
E Flint Creek	253,636	284,000	537,636	235,808	773,444
F Park Branch Canal	55,636	68,000	123,636	22,121	145,757
G Livingston Ditch	18,000	22,000	40,000	20,747	60,747
H Ruby River	234,000	286,000	520,000	95,545	615,545
J Ackley Lake Storage	44,180	54,000	98,180	29,616	127,796
K Big Dry	94,189	-	94,189	151,475	245,664
L Tongue River	579,368	660,000	1,239,368	220,005	1,459,373
M Nevada Creek	123,741	142,000	265,741	87,831	353,572
N Upper Musselshell	349,364	427,000	776,364	123,721	900,085
P Columbus Irrigation	25,364	31,000	56,364	19,688	76,052
Q Sidney Pumping	44,180	54,000	98,180	28,049	126,229
R West Fork of Butternut Storage	347,671	440,000	787,671	78,360(a)	866,031
S Broadwater Missouri Diversion	382,084	495,000	877,084	169,019(b)	1,046,103
T Middle Creek Storage	56,075	217,000	273,075	78,900	351,975
	<u>\$3,066,643</u>	<u>\$4,073,000</u>	<u>\$7,139,643</u>	<u>\$1,439,464</u>	<u>\$8,579,107</u>

(a) Includes \$12,329 reimbursed by P.W.A. grant since June 30, 1941

(b) Includes \$21,156 to be reimbursed by P.W.A. grant

NOTE: Figures shown to the nearest dollar



Original Estimate of Returns from Projects: As has been stated, at the inception of each project, the board estimates the cost of liquidating the outstanding bonded indebtedness of each project and fixes a unit price for delivery of water. The estimated revenue from the delivery of water in all cases is greater than the cost of liquidating the bonds. This overage is intended to protect the bonds and to pay any advances made by the board over and above the amount of the grant and the amount of the bonds. Under the bond agreement the first collections must be applied to interest and principal payments. Thus any advance made by the board cannot be reimbursed until the bonds are retired and canceled. The tabulation on the next page is based on the official estimates of revenues and payments required as shown in the official reports of the board. It indicates the amount of the state's advance on each project financed through PWA grants and bonds, which the official estimates consider will be repaid to the state.

It will be noted that, while the board has advanced \$1,439,464 its official estimates indicate that it can only expect to be reimbursed by \$1,230,927, which leaves about \$208,000 which definitely will not be returned to the board. As is pointed out later in this report, the board's estimates are overly optimistic.

In addition, the board has advanced \$354,122.75 on miscellaneous projects and \$283,118.09 on WPA projects. The board expects to get full return of its WPA advances but on its miscellaneous projects revenue it estimates the returns will fall short of the advances by about \$64,000. This, with the \$208,000 advances by the board on PWA projects, makes a total of about \$272,000 of state money which the board's estimates indicate must be considered as a permanent investment without prospect of reimbursement.

Even under the best conditions, no substantial part of the over two million dollars advanced can be expected to be reimbursed during the next twenty years. The tabulation on page 14 shows the years in which the board's figures show it may expect reimbursements on its advances. This tabulation is based on the board's estimates of revenues at the time the projects were initiated.

It will be noted from the tabulation that in the next 15 years the amount of advances by the board will be reduced, according to the board's estimates, by about half a million dollars and that at the expiration of all present contracts there will be a balance of \$272,000 which will never be repaid.



OFFICIAL ESTIMATES OF RETURNS TO STATE  
REVOLVING FUND ON P.W.A. PROJECTS

Project	Total Principal and Interest	Total Estimated Revenues	Excess of Revenue over Principal and Interest	Advance From Revolving Fund	Estimated Free Surplus End of Period	Estimated Deficit End of Period	Estimated Refund to Revolving Fund
A	\$1,059,600	\$1,231,776	\$ 172,176	\$ 39,310	\$132,866	-	\$ 39,310
B	147,540	188,100	40,560	4,525	36,035	-	4,525
C	213,760	252,000	38,240	26,816	11,424	-	26,816
D	248,560	287,100	38,540	7,928	30,612	-	7,928
E	488,253	580,000	91,747	235,808	-	144,061	91,747
F	119,076	136,358	17,282	22,121	-	4,839	17,282
G	37,367	46,800	9,433	20,747	-	11,314	9,433
H	495,800	672,000	176,200	95,545	80,655	-	95,545
J	93,320	126,384	33,064	29,616	3,448	-	29,616
K	-	119,700	119,700	151,475	-	31,775	119,700
L	1,307,080	1,539,200	232,120	220,005	12,115	-	220,005
M	245,480	319,725	74,245	87,831	-	13,586	74,245
N	723,000	924,000	201,000	123,721	77,279	-	123,721
P	53,396	70,122	16,726	19,688	-	2,962	16,726
Q	94,280	123,200	28,920	28,049	871	-	28,049
R	762,680	983,706	221,026	78,360	142,666	-	78,360
S	877,640	1,146,600	268,960	169,019	99,941	-	169,019
T	384,360	499,800	115,440	78,900	36,540	-	78,900
	<u>\$7,351,192</u>	<u>\$9,246,571</u>	<u>\$1,895,379</u>	<u>\$1,439,464</u>	<u>\$664,452</u>	<u>\$208,537</u>	<u>\$1,230,927</u>

NOTE: Figures shown to the nearest dollar





OFFICIAL ESTIMATES OF RETURNS TO STATE REVOLVING  
FUND, BY YEARS, ON ALL PROJECTS

Year	Reimburse- ments on PWA Projects	Reimburse- ments on WPA and Misc. Projects	Total Reim- bursement	Balance Out- standing End of Period
6/30/41				\$2,077,000
6/30/41-				
12/31/41	\$ 33,000		\$ 33,000	2,044,000
1942	4,000	\$29,000	33,000	2,011,000
1943	4,000	29,000	33,000	1,978,000
1944	4,000	29,000	33,000	1,945,000
1945	4,000	33,000	37,000	1,908,000
1946	4,000	33,000	37,000	1,871,000
1947	4,000	32,000	36,000	1,835,000
1948	4,000	32,000	36,000	1,799,000
1949	4,000	32,000	36,000	1,763,000
1950	4,000	32,000	36,000	1,727,000
1951	4,000	32,000	36,000	1,691,000
1952	4,000	29,000	33,000	1,658,000
1953	4,000	29,000	33,000	1,625,000
1954	4,000	29,000	33,000	1,592,000
1955	4,000	29,000	33,000	1,559,000
1956	4,000	29,000	33,000	1,526,000
1957	4,000	14,000	18,000	1,508,000
1958	4,000	14,000	18,000	1,490,000
1959	5,000	14,000	19,000	1,471,000
1960	15,000	14,000	29,000	1,442,000
1961	41,000	14,000	55,000	1,387,000
1962	103,000	3,000	106,000	1,281,000
1963	143,000	-	143,000	1,138,000
1964	202,000	-	202,000	936,000
1965	146,000	-	146,000	790,000
1966	102,000	-	102,000	688,000
1967	71,000	-	71,000	617,000
1968	34,000	-	34,000	583,000
1969	4,000	-	4,000	579,000
1970	4,000	-	4,000	575,000
1971	32,000	-	32,000	543,000
1972	73,000	-	73,000	470,000
1973	45,000	9,000	54,000	416,000
1974	42,000	15,000	57,000	359,000
1975	42,000	15,000	57,000	302,000
1976	29,000	-	29,000	273,000
	<u>\$1,234,000</u>	<u>\$570,000</u>	<u>\$1,804,000</u>	

NOTE: Figures shown to nearest thousand dollars

No.	Name	Sex	Age	Remarks
1	John Smith	M	25	...
2	Mary Jones	F	22	...
3	James Brown	M	30	...
4	Elizabeth White	F	28	...
5	Robert Black	M	35	...
6	Sarah Green	F	32	...
7	William Grey	M	40	...
8	Ann Black	F	38	...
9	Thomas White	M	45	...
10	Jane Brown	F	42	...
11	Richard Black	M	50	...
12	Elizabeth White	F	48	...
13	George Green	M	55	...
14	Mary Black	F	52	...
15	John White	M	60	...
16	Sarah Brown	F	58	...
17	William Black	M	65	...
18	Ann White	F	62	...
19	Thomas Green	M	70	...
20	Jane Black	F	68	...
21	Richard White	M	75	...
22	Elizabeth Green	F	72	...
23	George Black	M	80	...
24	Mary White	F	78	...
25	John Green	M	85	...
26	Sarah Black	F	82	...
27	William White	M	90	...
28	Ann Green	F	88	...
29	Thomas Black	M	95	...
30	Jane White	F	92	...

Estimated Actual Returns from Projects: Unfortunately on some of the projects the revenue from water users has fallen far short of expectations because the users are in default to a considerable extent. It is the board's policy to cut off the supply of water when payments are not made. This is apparently the only means at the disposal of the board in collecting past due bills. However, the failure of the water users to pay their water rates promptly has resulted in total defaults in bond interest in the amount of \$100,780.90 as of June 30, 1941. Default has occurred on eight of the sixteen bond issues and may make it difficult to finance any part of the cost of future projects by bond issues.

A special computation has been made for this report of the amount of probable return of state advances based on the actual revenues received from each of the projects that has been operating over a year. On all of the more recent projects the estimates of the board have been used.

The tabulation on the next page shows the estimates of revenues compared with total costs and the amount of reimbursement that can be expected, based on current payments on all projects in operation over a year and on the board's estimates of revenue on all other projects. This tabulation shows PWA projects only.

From the tabulation it will be noted that, if revenues from water users continue at the present rate of collection, the board will be reimbursed by only \$764,082 of its advances totaling \$1,439,464. This would result in a loss to the board of about \$675,000 on PWA projects alone, instead of the \$208,000 estimated by the board. In addition, there will be a permanent investment of \$64,000 in WPA and miscellaneous projects, or a total loss to the board of almost three quarters of a million dollars.

The tabulation on page 17 shows the estimated returns to the board in each year and the balance outstanding at the end of each year based on present collections.

The indicated loss of almost three quarters of a million dollars as estimated in the tabulation is indicative of what may be expected if revenues from the sale of water are not increased to a considerable extent. In fact, at the present rate of collections continuous and final default of interest may be anticipated on at least four projects. However, a large portion of this indicated loss can be avoided if lapsed contracts can be reinstated and made collectible.



REVISED ESTIMATES OF RETURNS TO STATE REVOLVING FUND ON FWA PROJECTS

Project	Total Principal and Interest	Total Estimated Revenues	Excess or Deficiency of Estimated Revenue Over Principal and Interest	Total Advance From Revolving Fund	Estimated Free Surplus End of Period	Estimated Deficit End of Period	Total Reimbursement to Revolving Fund
A	\$1,059,600	\$ 451,989	\$607,611*	\$ 39,310	\$ 36,035	\$ 646,921	\$ 4,525
B	147,540	188,100	40,560	4,525	11,424		26,816
C	213,760	252,000	38,240	26,816			3,022
D	248,560	251,582	3,022	7,928		4,906	
E	488,253	274,252	214,001*	235,808		449,809	
F	119,076	141,175	22,099	22,121		22	22,099
G	37,367	38,101	734	20,747		20,013	734
H	495,800	276,323	219,477*	95,545		315,022	17,295
J	93,320	110,615	17,295	29,616		12,321	119,700
K		119,700	119,700	151,475		31,775	
L	1,307,080	706,440	600,640*	220,005		820,645	74,245
M	245,480	319,725	74,245	87,831	77,279	13,586	123,721
N	723,000	924,000	201,000	123,721			16,726
P	53,396	70,122	16,726	19,688		2,962	28,920
Q	94,280	123,200	28,920	28,049	871		78,360
R	762,680	93,706	221,026	78,360	142,666		169,019
S	877,640	1,146,600	268,960	169,019	99,941		78,900
T	384,360	499,800	115,440	78,900	36,540		
Total	\$7,351,192	\$6,877,430	\$473,762*	\$1,439,464	\$404,756	\$2,317,982	\$764,082

\*Represents deficiency of estimated revenues required to meet principal and interest now in default.

NOTE: Figures shown to the nearest dollar



REVISED ESTIMATES OF RETURNS TO STATE REVOLVING  
FUND, BY YEARS, ON ALL PROJECTS

Year	Reimburse- ments on P.W.A. Projects	Reimburse- ments on W.P.A. & Misc. Projects	Total Reim- bursement	Balance Out- standing End of Period
6/30/41				\$2,077,000
6/30/41-				
12/31/41	\$ 33,000	-	\$ 33,000	2,044,000
1942	4,000	\$29,000	33,000	2,011,000
1943	4,000	29,000	33,000	1,978,000
1944	4,000	29,000	33,000	1,945,000
1945	4,000	33,000	37,000	1,908,000
1946	4,000	33,000	37,000	1,871,000
1947	4,000	32,000	36,000	1,835,000
1948	4,000	32,000	36,000	1,799,000
1949	4,000	32,000	36,000	1,763,000
1950	4,000	32,000	36,000	1,727,000
1951	4,000	32,000	36,000	1,691,000
1952	4,000	29,000	33,000	1,658,000
1953	4,000	29,000	33,000	1,625,000
1954	4,000	29,000	33,000	1,592,000
1955	4,000	29,000	33,000	1,559,000
1956	4,000	29,000	33,000	1,526,000
1957	4,000	14,000	18,000	1,508,000
1958	4,000	14,000	18,000	1,490,000
1959	5,000	14,000	19,000	1,471,000
1960	9,000	14,000	23,000	1,448,000
1961	17,000	14,000	31,000	1,417,000
1962	65,000	3,000	68,000	1,349,000
1963	87,000	-	87,000	1,262,000
1964	156,000	-	156,000	1,106,000
1965	122,000	-	122,000	984,000
1966	83,000	-	83,000	901,000
1967	70,000	-	70,000	831,000
1968	38,000	-	38,000	793,000
1969	4,000	-	4,000	789,000
1970	4,000	-	4,000	785,000
1971	4,000	-	4,000	781,000
1972	-	-	-	781,000
1973	-	9,000	9,000	772,000
1974	-	15,000	15,000	757,000
1975	-	15,000	15,000	742,000
	<u>\$765,000</u>	<u>\$570,000</u>	<u>\$1,335,000</u>	

NOTE: Figures shown to nearest thousand dollars





That the legislative assembly contemplated full return of all moneys advanced by the state water conservation board is apparent from the act creating the board.

The act defines "cost of work" as follows:

"The term 'Cost of Work' shall embrace the cost of construction, the cost of all lands, property, rights, easements and franchises acquired, which are deemed necessary for such construction, the cost of all water rights acquired or exercised by the board in connection with such works, the cost of all machinery and equipment, financing charges, interest prior to and during construction and for a period not exceeding three (3) years after the completion of construction, cost of engineering and legal expenses, plans, specifications, surveys, estimates of cost, and other expenses necessary or incident to determining the feasibility or practicability of any project, administrative expense and such other expenses as may be necessary or incident to the financing herein authorized and the construction of the works and the placing of the same in operation."

The act also states:

"...The moneys in each construction fund shall be paid out or disbursed in such manner as may be determined by the Board...to pay the cost of the works as hereinbefore defined...."

The act further states in part:

"...Before constructing any project, the Board shall make estimates of the cost of the project, of the cost of maintaining, repairing and operating the same, and of the revenues to be derived therefrom, and no such project shall be constructed unless, according to such estimates, the revenues to be derived therefrom will be sufficient to pay the cost of maintaining, repairing and operating the same and to pay the principal and interest of revenue bonds which may be issued for the cost of such project...."

It is apparent that the intent of the legislature was to include all engineering, preliminary legal, and administrative costs in the final cost of each project. The legislature apparently contemplated no large outlay of money by the board and expected repayment to the board of all advances to completed projects. Where investigations and surveys were made and the project abandoned as not feasible or practical the board could, of course, expect no return of any expenditures it might have made.



The creation of the "conservation revolving fund" by another act of the legislature does not seem to affect the principal of full return for money advanced but allows the board to finance projects in whole or part with subsequent repayment to the fund from revenues derived from the project.

#### Suggested Steps to Reduce State Losses on Water Projects:

Reinstatement of Defaulted Water Use Contracts: While the board cannot avoid an ultimate loss of about a quarter of a million dollars, it can reduce the apparent additional indicated loss by a determined and concentrated attempt to put defaulted water use contracts back on an active basis. It is reported that the board, through its attorney, has instituted suit to determine the validity of the water use contracts but that, to date, the attorney in no case has been able to get a decision from the state supreme court. However, even if the supreme court declared the contracts valid and binding on the water users, there might be some difficulty in collection after a bad year. Employees of the board state that collections in 1940 were particularly poor for the reason that the federal land banks demanded payment of loans from ranches which made it impossible for them to meet water payments.

The construction work of the water conservation board will, in all probability, not be heavy until the present national defense emergency passes and employees of the board should be utilized to the fullest extent possible in the work of either securing new contracts or rehabilitating defaulted ones. The board may find it desirable to penalize defaulted contract holders in the event of their signing new contracts by increasing the unit charge for water. In any case, payments for water on each property should be collected over the full number of years originally designated, without deduction for any years in which no contract was in effect.

Refunding of Bonds: In order to reduce the cost of liquidation of bond issues and thereby hasten repayment of advances made by the board, it is suggested that an attempt be made to refund the bonds of some of the better paying projects at a lower rate of interest. These bonds are all callable, have the pledge of the first collection of water rates, and, in addition, carry a mortgage clause. In the opinion of competent legal counsel, the bonds are exempt from federal taxes. It is reported that the RFC has sold one issue. This sale would indicate that there is a market if the security is good and if the water user contracts are being complied with. It would be impossible, of course, to find any market for bonds in default on interest. There are, however, several issues that might be attractive to investment bankers and through them to investors.



The present bond market is ideal for the sale of any good security and it is quite possible that, on some issues, a reduction in interest rate of at least one percent might be expected. If half of the bonds outstanding could be refunded at a reduction of one percent interest, even if the board had to pay the premium of  $\frac{1}{2}$  of one percent for each year from the date of refunding to the stated maturity of each bond, there would be a saving to the projects of nearly \$300,000 over the remaining life of the bonds. From this should be subtracted legal expenses, miscellaneous bond sale expenses, and printing costs. The new bonds would probably have to be sold without the callable clause to make them attractive to the ultimate purchasers. It is possible that, in some cases, maturities could be shortened, thus increasing the savings.

Provided the construction of the particular project was basically sound financially at its inception and provided its water users are meeting their contract obligations promptly, these bonds should find an attractive market. The amount of bonds outstanding is in every case less than half of the total cost of the project. If an issue goes into default the bondholders may take over the project for less than half its cost.

It is suggested that the board attempt to refund those issues which apparently will pay out. Such a refunding should be carried out after a canvass of the market in the financial centers where bond sales are usually active. This should be done by personal visit. A trip to Chicago, Detroit, New York, and possibly Cleveland, Pittsburgh, and Philadelphia should make it possible to determine whether refunding is practical and what rate of interest the board would have to pay on refunding bonds.





### Suggested Improvements in Procedures to Prevent Losses on Future Water Projects:

The indicated losses on projects now constructed may be traced to two sources:

- Failures of collections on water user contracts
- Underestimates of the final cost of the projects

It is possible through intense effort to reinstate lapsed contracts but the money lost through underestimates is irretrievably gone.

The state water conservation board can not be blamed entirely for the loss due to underestimates. The speed with which the PWA demanded that projects be presented precluded making the detailed preliminary investigational studies on proposed projects that are necessary as a basis for a preliminary estimate of costs under the financing plan specified by law. That PWA acknowledged this, at least in part, is evidenced by additional grants on some of the projects after final costs had been determined.

Similar losses may be avoided in the future by utilizing the present staff of field men on investigation and surveys for proposed projects. All procurable data should be obtained for each project. With complete data on sub-soil and other pertinent factors, a reasonably accurate estimate could be made of final costs and the board would have all the information to back up its figures.

It is recommended that the board review all proposed projects now before it for action, rate the projects in the order of their apparent desirability and then proceed in that order to make complete studies of all the conditions that influence cost of construction.

### Rural Electrification Authority:

Functions and Activities of the Rural Electrification Authority: The laws of 1935 granted specific powers to the rural electrification authority which may be briefly stated as follows:

To furnish energy service to the inhabitants of the state and, by contract or contracts with any person, federal agency or municipality, or by its own employees, to acquire, own, operate, maintain and improve a system or systems for such purpose.

To cause survey to be made of areas throughout the state for the purpose of determining the economic soundness of the acquisition of an electric system or systems.

To acquire, hold, and dispose of property.

To fix, maintain and collect rates and charges for electrical service.

To borrow money and issue negotiable bonds.



To accept gifts or grants of money or property, real or personal, and voluntary and uncompensated services, from any person, federal agency or municipality.

To make any and all contracts with any person, federal agency, municipality, unincorporated town or rural improvement district or authority necessary or convenient for the full exercise of powers herein granted, including, but not limited to:

- (a) Contracts for the purchase or sale of energy
- (b) Contracts for the management and conduct of the business of the authority or any part thereof
- (c) Contracts for the purchase or sale, lease or other disposition of water for the purpose of irrigation, watering of stock or any other purpose

The rural electrification authority has used few of the powers granted it by the legislature. Instead it has devised an extremely simple and apparently effective method of bringing electrical energy to the outlying communities of the state. The authority has never sold bonds or taken title to any property.

Under the present system of operation, the authority, upon petition of farmers or ranchers, investigates the feasibility of extending existing systems to include new areas, estimates the cost of such extensions and, if considered desirable, enters into a contract for the erection of poles, stringing of wire and installing necessary appurtenances. All financing has been done by the rural electrification administration of the federal government and the cost of engineer services and inspection is returned to the authority on the basis of its original estimate of the cost of such engineering and inspection.

During the four years 1937, 1938, 1939 and 1940 the authority designed, supervised, and inspected electrical construction to the total of \$1,633,772. Advances made by the authority to cover engineering costs have totaled \$65,571 of which \$52,361 has been repaid. This leaves an unpaid balance as of December 31, 1940, of \$13,210, of which the authority estimates \$8,684 will be repaid, leaving \$4,526 as the state's contribution to the work.

The authority estimates that in the four years ending with 1940, 2,384 miles of line were strung and 5,189 new consumers were served with electric energy.

#### Organization and Staff of the Rural Electrification

Authority: The staff employed by the authority to design, supervise, and inspect extensions in July 1941 was as follows:



<u>Position</u>	<u>Number of Positions</u>	<u>Salary Rate</u>
Project engineer	1	\$2,280
Assistant designing engineer	1	2,220
Assistant project engineer	1	2,100
Instrument man	1	1,800
Rodman	2	1,500
Project engineer	<u>1</u>	2,220
Total	<u>7</u>	

The number of employes varies from time to time depending on the volume of work and the number of active construction contracts. There is every evidence that the authority is operating effectively with a minimum of cost to the state.

#### State Planning Board:

Functions and Activities of the State Planning Board: The state planning board has the power to make and adopt a comprehensive plan for the physical development of the state. It may formulate policies for making effective any plans it adopts.

Since its creation in 1935, the state planning board has interested itself in a variety of subjects all relating to the physical and economic development of the state. In 1939, the board made studies and presented a preliminary report on "Development of Economic Opportunities in Montana for Migratory and Stranded Families." This report was written in cooperation with several federal and state agencies and with the county agricultural planning boards and other county officers. This report analyzes the possibilities of rehabilitation of stranded families in each of the counties of the state and shows every evidence of thorough study of the problem.

In 1941 the state planning board promulgated a "Six-Year State Construction Program and a Program of Public Works for all Institutions including Water Conservation Projects and State Highways." The board requested each department to furnish it with a complete list of desirable capital improvements to cover a six-year period. The head of each department was interviewed and the board listed the projects in the order of their necessity. The outcome of this study is a suggested capital outlay program for the state covering the next six years. In addition to determining the order of necessity or desirability, the board concerned itself with methods of financing recommended improvements and in some cases showed the estimated cost of operating and maintaining the proposed improvement. The board is to be congratulated on this report. It is thorough going and enlightening and, if amended at two-year intervals, should prove invaluable as a guide to state spending for capital improvements.





Also in 1941 the board cooperated with Montana agricultural experiment station and the state engineer in the preparation of an exhaustive study of "Water Resources and Their Use." This report is in two parts. Part I covers water right laws and Part II water supply on the Yellowstone and Little Missouri Rivers and the Missouri River above Fort Benton.

The state planning board has been active in working out solutions to the problem of adjustment of water rights between Montana and its neighbor states. It has attempted to safeguard the state's interest in these matters by cooperating with the Bureau of Reclamation, the army engineers, and the Drainage Basin Committees of the National Resources Planning Board.

The board is preparing a complete inventory of all known potential irrigation projects on record in the state water conservation board's files and from these records the board is listing all feasible water conservation projects. This record should be of great value in determining the order in which projects should be handled, when funds for financing such projects are made available.

Staff of the State Planning Board: The board has only one full-time staff member, a junior stenographer at \$1,320 a year. The state engineer acts as engineer for the board and directly supervises the projects of the board. Help, as needed, is obtained from various federal, state, and municipal agencies.

Policies and Procedures of the State Planning Board: All of the studies thus far promulgated by the board have originated in that body. Further studies of the natural resources of the state and studies looking toward the development of those resources for the general welfare of the state should form a basis for sound, orderly state progress. The board is collecting and disseminating valuable information on certain major state problems.

Aside from general studies, the board can be made especially useful as a coordinating office for capital outlay expenditures. Progress toward orderly and planned state expenditures for capital outlay might be expected if all improvement projects, except roads, were submitted to the state planning board for approval as to site, estimated cost, and desirability. After approval by the board, projects might properly be submitted to the state engineer for check of engineering and structural features.

#### Carey Land Act Board:

The activities of the Carey Land Act Board have gradually decreased since its creation in 1903. In 1940 the staff of the board issued one patent, collected on 38 leases, prepared three new leases, and made three inspections. There were no meetings of the board in 1939 or 1940. The total collections for leases and patents in 1940 amounted to \$837.87.





The board has no full-time staff. Part-time services (about 15 percent) of an assistant state engineer and a stenographer suffice to administer the work of the board and to keep the necessary records.

The office of the board, by law, must be in the state capitol building. Since the state engineer is a member of the state water conservation board and secretary of the Carey land act board and has offices in the Montana building, better coordination of effort probably would result if the office of the Carey land act board were consolidated with that water conservation board.

#### Office of the State Engineer:

Functions and Activities of the State Engineer: As previously stated, the state engineer is a member of the state water conservation board, the state planning board, the rural electrification authority, and is secretary of the Carey land act board. He acts as chief engineer for the state water conservation board and for the rural electrification authority. The office of the state engineer actively cooperates with the United States Geological Survey in gauging stream flows and other related work. The office tabulates stream flow data and snow measurements in the high altitudes.

The office is currently engaged in making a state-wide survey of water rights. This survey was started as a WPA project sponsored by the state college, the state planning board, the state water conservation board, and the state engineer. It is reported that much statistical data has been compiled by WPA workers.

The state engineer is vested with the responsibility of representing the state in all negotiations with neighboring states and with the Dominion of Canada in relation to water rights. Since many of the waterways of Montana rise in Wyoming, pass through Montana to North Dakota, and as each of these states is vitally interested in protecting its water rights, this work becomes increasingly important. Wyoming and Montana are negotiating through their representatives for mutual protection of water rights. Much time can be saved and the cost of lengthy legal proceedings can be avoided by a fair and amicable agreement arrived at in this way.

It has been the custom of the state to engage architects to design and inspect the construction of state buildings, except those erected for the highway department. Some money could be saved and inspection better supervised if the state engineer were to take over the inspection of all structures for the state, except work for the highway department. He now is responsible for the construction work of the state water conservation board and the rural electrification authority and could easily absorb any additional inspection work on state buildings.



It is suggested that consideration be given to expanding the work of the state engineer to include inspection during construction of all state structures, except those erected by or under the supervision of the highway department.

Staff of the Office of the State Engineer: The staff of the office of the state engineer in July of 1941 consisted of four persons as follows:

<u>Title of Position</u>	<u>Salary Rate</u>
State engineer	\$3,000
Assistant engineer	2,400
Assistant state engineer and assistant secretary of the Carey land act board	2,400
Stenographer	1,500

In addition to his salary of \$3,000 as state engineer, the incumbent of this position receives \$1,200 a year as compensation from the state water conservation board.

#### Revenues and Expenditures:

Both the state water conservation board and the rural electrification authority were created as self-supporting agencies of the state government. The rural electrification authority has, over a period of three years, spent slightly over \$4,000 of state funds. All other advances by the state either have been repaid or will be paid in the near future.

The state water conservation board has tied up something over two millions of state funds helping to defray the cost of water conservation projects. A large portion of this money will be returned to the state over a period of thirty years. Some part probably will never be repaid.

Expenditures of the Carey land act board amounted to \$214.43 for the fiscal period 1939-1940. Appropriations for each of the years 1941-1942 and 1942-1943 are \$477.00. Total receipts for the calendar year 1940 were \$837.87.

Expenditures of the office of the state engineer for the fiscal year 1939-1940 and appropriations for the years 1941-1942 and 1942-1943 are shown in the following tabulation:

	<u>Expenditures</u> <u>1939-1940</u>	<u>Appropriations</u> <u>1941-1942</u>	<u>1942-1943</u>
Administration	\$ 6,421.79	\$ 6,247.00	\$ 6,247.00
Measurement of streams	8,799.62	14,675.00	13,300.00
Survey of interstate waters	1,145.37	5,000.00	5,000.00
	<u>\$16,366.78</u>	<u>\$25,922.00</u>	<u>\$24,547.00</u>



### Value and Cost of Services Rendered:

The value of the services rendered by the state water conservation board will become more and more apparent in increased crops and livestock over a period of years. The state has tied up over \$2,000,000 in water conservation projects, of which from \$300,000 to \$700,000 will remain as a permanent grant by the state. An outright grant of some percentage of the cost of a project might be justified if the taxable value of the irrigated land increased to the point where the increased tax revenue derived from the land by the state will, in a reasonable number of years, equal the state's donation. Some of the irrigation projects will eventually pay back to the state all advances and will in every sense of the word be self-supporting utilities. Others, unless conditions change materially, will have difficulty meeting bond and interest payments and still others will definitely be unable to meet their interest and principal payments.

The state water conservation board has been in operation for only six years and its completed projects have hardly had a chance for stabilization. Evaluation of the service rendered under these conditions is difficult, if not impossible.

Unquestionably carefully planned and fully financed irrigation projects will show immediate benefit to the state. Unfortunately some of the projects were necessarily hastily planned, and the financing was not properly worked out. The board now has a breathing spell in which it can make preliminary investigations for future projects and by careful planning avoid some of the errors that are evident in projects now in operation.

The work of the rural electrification authority in bringing electrical energy to the farms and ranches of the state, has performed a notable service at practically no cost to the state.

The work of the state planning board, if properly used, will be of increasing importance and value each year. The six-year capital outlay program it evolved in March 1941, if kept current at two-year intervals, should serve as a perpetual guide to the appropriating authorities. The other studies made and in process of being made are all on timely and useful subjects which should be of real value to those persons entrusted with the management of the state's affairs.

The service now performed by the Carey land act board is so slight in volume and so relatively unimportant to the state as to be negligible.

The state engineer performs so many functions in connection with water conservation, rural electrification, state planning, and kindred activities that the office can hardly be considered as a unit. It really is an integral part of each of the agencies named. The purely engineering functions of stream gauging performed by the office in cooperation with the United States Geological Survey will form a basis for future water conservation projects and furnish valuable material for negotiations with other states concerning water rights.





### Summary of Recommendations:

The recommendations expressed or implied in this report, none of which require legislative action, may be summarized as follows:

- (1) That, to save the salary, the position of labor coordinator, as such, be discontinued in the state water conservation board.
- (2) That, to improve the service, the state engineer or the secretary-treasurer of the state water conservation board, preferably the former, be made the administrative head of the organization.
- (3) That, to reduce losses of state advances now in prospect, the employes of the state water conservation board be utilized to the fullest possible extent in either securing new water use contracts or in rehabilitating defaulted ones.
- (4) That, to reduce losses of state advances, the state water conservation board consider the feasibility of increasing the unit charge on any new contracts signed on existing projects.
- (5) That payments for water on each property be collected over the full number of years originally designated, without reduction for any years in which no contract was in effect.
- (6) That, to save interest, the state water conservation board attempt to refund, at lower interest rates, those bond issues which apparently will be able to meet interest and principal payments as they become due.
- (7) That, if the state water conservation board attempts to refund any of its outstanding bonded indebtedness, a personal canvass be made of the market in the financial centers where bond sales are usually active in order to secure the best possible market.
- (8) That, in order to avoid future losses, the state water conservation board review all proposed projects now before it for action, rate the projects in the order of their apparent desirability and then proceed in that order to make complete studies of all the conditions that influence the cost of construction.
- (9) That, to secure more effective planning of the state's capital outlays, plans for all improvement projects, except roads, be submitted to the state planning board for approval as to site, estimated cost, and desirability; and that after approval by the state planning board, they be referred to the state engineer for check of engineering and structural features.



- (10) That, to secure better construction and save fees for private architects, consideration be given to expanding the work of the state engineer to include inspection, during construction of all state structures, except those erected by or under the supervision of the highway department.



STATE OF MONTANA

GOVERNOR'S COMMITTEE ON REORGANIZATION  
AND ECONOMY

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STATE FISH AND GAME COMMISSION

(Report No. 35)

November 10, 1941

Prepared by  
Griffenhagen & Associates



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REPORT ON  
STATE FISH AND GAME COMMISSION

Introduction:

The state fish and game commission was created by statute in 1907. The commission has five members appointed by the governor for overlapping terms of four years. The state is divided by law into five districts and one commissioner is appointed from each district. The only requirement for appointment as fish and game commissioner is interest and experience "in the subject of wild life, fish and game, and the requirements for the conservation and protection of fish, game, and game birds and animals....."

The governor has the power of removal of any fish and game commissioner for "inefficiency, neglect of duty, or misconduct in office, or for cause by delivering to him a copy of the charges and affording him an opportunity of being publicly heard in person or by counsel in his own defense....."

The commissioners are paid at the rate of \$10 for each day in actual attendance of meetings of the commission, but not to exceed \$400 each in any one year. In addition, they are entitled to consideration for actual and necessary traveling expenses while performing their duties as members of the commission.

Functions and Activities:

The functions of the state fish and game commission are set up in detail by law. The more important of these functions may be summarized as follows:

To supervise all wild life, fish, game and non-game birds, water fowls, and game and fur-bearing animals of the state.

To enforce all laws of the state for the protection, preservation, and propagation of fish, game, and fur-bearing animals.

To construct, maintain, and repair fish hatcheries and game farms.

To exterminate predatory animals.

To provide for importation of game birds, game fur-bearing animals, and wild water fowl.



To construct and maintain nurseries and rearing ponds where fry can be planted, propagated, and reared.

To acquire by purchase or condemnation, lands and waters for fish hatcheries and game farms.

To fix seasons and bag limits, and to open, close, or lengthen seasons.

To establish game refuges to provide safe sanctuaries in which game and fur-bearing animals and game and non-game birds may breed and replenish.

To collect and diffuse such statistics and information as are pertinent to the objectives of the commission.

To issue permits to carry firearms.

To issue licenses to fish, trap, or hunt in the state.

Some idea of the scope of the activities of the fish and game commission may be had from the following tabulation:

	<u>1939</u>	<u>1940</u>
Fish and game law violations detected	559	496
Hunting and fishing licenses and shipping permits issued:		
Resident bird and fishing	85,915	92,645
Resident big game	37,182	39,201
Resident sportsmen	185	152
Non-resident fishing	9,532	6,807
Non-resident bird	55	93
Non-resident big game	284	327
Alien bird	1	1
Alien fishing	71	75
Alien big game	-	1
Shipping permits	2,496	3,072
Other licenses and permits issued:		
Beaver tags	7,079	13,764
Trapper licenses	396	893
Trapper licenses (land owner)	521	903
Beaver permits	487	817
Guide licenses	97	111
Taxidermist licenses	13	10
Seining licenses	2	6
Resident fur dealer licenses	187	211
Fur dealer-agent licenses	8	9
Non-resident fur dealer licenses	8	14
Certifications of identification	379	475
Number of fish distributed from hatcheries	23,622,802	25,925,986
Total income	\$258,676.83	\$295,966.13



Organization and Staff:

Plan of Organization: For administrative purposes the activities of the commission are divided into three main groups: wild life, fish hatcheries, and work carried on under the Pittman-Robinson act of the federal congress. A state fish and game warden, appointed by the commission, is the active, administrative head of the entire staff and is in direct charge of all activities relating to wild life. Reporting to the state fish and game warden is a superintendent of state hatcheries who is responsible for all work in connection with propagation, planting, and conservation of fish. The Pittman-Robinson activities are headed by a coordinator who reports to the state fish and game warden. Since this is the first year of any work under the Pittman-Robinson act, and since the work is still in its organization stage, it is impossible to evaluate its service to the state.

According to the statutes, the superintendent of fish hatcheries reports to and takes orders from the commission. In practice he reports through the state fish and game warden. This practice leads to better internal organization and it is recommended that the law be amended to make the state fish and game warden the administrative head of the department, responsible to the commission for all acts of the staff to conform to the present practice.

List of Staff Positions: The following tabulation shows the permanent staff of the fish and game commission as it existed in October 1941. The indentations indicate lines of responsibility and authority.

<u>Title of Position</u>	<u>Number of Positions</u>	<u>Salary Rate</u>
State fish and game warden	1	\$3,600
Chief clerk	1	2,700
Bookkeeper	1	2,220
Stenographer	1	1,440
Stenographer	1	1,380
Regular deputy fish and game warden	1	1,980
Regular deputy fish and game warden	14	1,800
Regular deputy fish and game warden	8	1,680
Special deputy fish and game warden	13	1,500
Special deputy fish and game warden	1	1,320
Special deputy fish and game warden	1	1,200
Retired deputy fish and game warden	2	600
Field photographer	1	2,100
Foreman (Warm Springs game farm)	1	2,880
Assistant foreman	1	1,800
Foreman (Billings game farm)	1	2,100
Assistant foreman	1	1,800





<u>Title of Position</u>	<u>Number of Positions</u>	<u>Salary Rate</u>
Superintendent, state hatcheries	1	\$3,300
Stenographer	1	1,620
Foreman in charge stream survey	1	2,400
Foreman (Polson)	1	1,800
Foreman (Immigrant)	1	1,800
Foreman (West Yellowstone)	1	1,680
Foreman (Maiden Rock)	1	1,200
Foreman (Anaconda)	1	1,800
Hatchery assistant	1	1,620
Fish culturist	1	1,500
Foreman (Big Timber)	1	1,800
Hatchery assistant	1	1,500
Foreman (Great Falls)	1	1,800
Hatchery assistant	1	1,500
Hatchery assistant	1	1,200
Foreman (Lewistown)	1	1,800
Hatchery assistant	1	1,500
Hatchery assistant	1	1,380
Foreman (Libby)	1	1,800
Hatchery assistant	1	1,500
Fish culturist	1	1,200
Foreman (Hamilton)	1	1,800
Hatchery assistant	1	1,620
Hatchery assistant	1	1,500
Hatchery assistant	1	1,200
Coordinator (Pittman-Robinson program)	1	3,180
Secretary	1	1,620
Goat and grizzly leader	1	2,400
Fieldman	1	1,560
Big game leader	1	3,000
Fieldman	3	1,560
Fieldman	5	1,440
Bird leader	1	2,700
Fieldman	2	1,560
Fieldman	3	1,440
Fur leader	1	2,700
Fieldman	3	1,440
Fieldman	<u>3</u>	1,560
Total	<u>99</u>	



Additional temporary help is used as required for periods ranging from a few days to several months.

Supervision of Wardens: There are 23 regular deputy fish and game wardens and 15 special deputy fish and game wardens on active duty in the state. None of these has any superior officer other than the state fish and game warden. A recent amendment of the statute provides for a total of 27 regular fish and game warden. It is a practical impossibility for the state fish and game warden to keep in active touch with his field force except through correspondence and reports. The volume of office work precludes the possibility of the state warden actually going into the field with his men, with the result that real supervision is impossible of attainment. Close supervision, particularly of new employees, is an absolute necessity if the commission is to build up a good organization for the protection of wild life in the state. Six positions of warden are authorized at salaries of \$2,100 a year. It is suggested that the salary of one of the regular wardens be increased to \$2,100 and new duties be assigned him. These duties would comprise acting for the state warden in the office in his absence and supervising the work of wardens in the field. This procedure would allow either the state warden or the assistant state warden to spend practically full time in the field supervising the wardens and instructing them on the more important features of their work.

Later the statutes might be amended to authorize a salary of say \$2,400 for the position of assistant state warden.

Special Deputy Fish and Game Wardens: There is some question of the legality of the employment of the 15 special fish and game wardens whose salaries range from \$100 to \$125 a month. One section of the statutes provides for the appointment of one class of special fish and game wardens and specifically states that no salary shall be attached to these positions. Another section provides that the commission "may employ for a limited period of time, special deputy game wardens...and further such special deputy game wardens shall receive in compensation not to exceed one hundred and twenty-five dollars (\$125.00) per month and actual expenses."

The apparent conflict of these two sections of the code may be clarified by assuming that the first provides for special deputies without salary, who are really honorary, and that the special deputy wardens authorized at salaries of \$125 a month were intended to meet emergencies that might occur for "a limited time" only. It has been the practice of the commission to employ some special deputy fish and game wardens continuously over long periods of years.

It appears that the fish and game commission is without authority under the law to employ salaried special deputy fish and game wardens for continuous service. It is recommended that unless and until, the law is amended, the commission employ salaried special wardens for limited periods only.



Recruitment: The statutes provide that "all appointments of salaried deputy fish and game wardens shall be made under rules adopted and promulgated by the commission; such examination shall embrace an investigation of the character, habits, and qualifications of the applicant as well as his knowledge of the state fish and game laws.....No person shall be appointed a salaried deputy state fish and game warden until a certificate shall have been issued to him by the commission to the effect that he has passed the required examination and is a fit and proper person to perform the duties of the office."

The statutes further provide that all deputy state fish and game wardens appointed by the commission shall "have had experience, training, and skill in protection, conservation, and propagation of wild life....." The commission has the power to remove, suspend without pay, to reduce in rank, to act as a trial board in hearing and passing on charges against deputy state wardens. The commission, by statute, "shall rate all deputy state fish and game wardens on the basis of merit and efficiency in two grades, to be known as the first and second grades. Deputy state fish and game wardens shall not be removed unless furnished with a reason for removal and given a hearing in his own defense." Salaries for first grade deputy wardens are set at the rate of \$1,800 a year except that not exceeding six may be paid at the rate of \$2,100. Salaries for second grade deputy wardens are not to exceed \$1,650 a year.

In practice the commission uses the positions of special deputy fish and game warden as probationary positions. This procedure eliminates the necessity of a hearing in cases where the work of the special deputy has been unsatisfactory. Regular deputy fish and game wardens are generally appointed from the ranks of the special deputies.

The present system is not in conformity with the law but appears to be working in a satisfactory manner. It is recommended that the law and procedure be amended to conform to any system of recruitment that may be adopted for the state as a whole.

#### Law Enforcement:

The law enforcement work of the fish and game commission is carried on by the 23 regular and the 15 special deputy fish and game wardens. Specific territories are assigned to each regular deputy warden. The areas assigned to them and to the special wardens embrace the entire area of the state. The policy of the commission is to educate the public to a better understanding of the aims and objectives of conservation of wild life and to enlist its aid in the enforcement of the fish and game laws.

The work of the wardens is greatly increased and complicated by the special county game laws enacted by the legislative assembly, which result in a body of fish and game laws with a wide variation of dates for open and closed seasons, and numerous local





restrictions for the same kind of game. The technical variations of law, as between counties and parts of counties, make it very difficult for even a law-abiding sportsman to know when and where he is within the law and add a great burden to the wardens' work in enforcing the law and maintaining a helpful relationship with the public.

It is recommended that all existing special laws regulating hunting and fishing in specified areas be repealed; that general laws governing open seasons, bag limits, and other general restrictions be passed; and that the fish and game commission be given the authority to issue such local regulations as it may deem necessary from time to time for the proper protection and propagation of fish and game and for the better enforcement of fish and game laws.

#### Propagation and Protection of Fish:

Fish Hatcheries: The fish and game commission maintains 14 fish hatcheries within the state. Each hatchery propagates the kind of fish that are native to the surrounding territory and distributes fry within certain territorial limits. In the last completed fiscal year 38,317,906 game fish eggs were collected at state spawning stations or acquired through cooperative agreements. Of this number 25,925,986 were hatched and the fish distributed throughout the state.

The department is under several handicaps in the operation of the hatcheries. These handicaps result in the liberation of fish at too small a size with a consequent heavy mortality from preying fish and other causes. Some of these handicaps are discussed in the following paragraphs.

Refrigeration at Hatcheries: The commission has no refrigeration plant at any hatchery in the state. Local plants are used for the storage of fish food at a cost of \$25 a month for each hatchery. If the commission installed refrigeration at the hatcheries, it would save the rental charges, which would be enough to amortize the cost over a few years and would make possible the purchase of fish food in larger quantities on the basis of competitive bids, thereby decreasing the cost of fish food.

Rearing Pools: A lack of sufficient rearing pools throughout the state makes it necessary for the hatcheries to distribute fish of such small size that large percentages of them must die before reaching maturity. If fish could be kept for an additional period in rearing pools, distribution could be made of larger fish with a much better chance of survival.

Distribution Equipment: The equipment presently used for the distribution of fish is inadequate and is costly to operate. Modern fish transplanting equipment could transport several times the volume of fish now handled at approximately the same expense.





### Education and Research:

The statutes provide that the commission "shall have the authority to establish and maintain an educational and biological department of their work for the collection and diffusion of such statistics and information as shall be germane to the purpose of this act."

Except for the work of the photographer, little or nothing is being done along educational lines. The photographer has taken some excellent still pictures and moving pictures of wild life but has shown them but seldom. The work, financed in part by the Pittman-Robinson fund, should result in a mass of scientific information on the habits of wild animals in Montana. Employees working on this program are now in the mountains of the state for an all-winter stay to observe the habits of the wild animals. All of this work will be of little or no value unless the results are used by the commission and the knowledge gained disseminated to the sportsmen of the state. Practically no research is being carried on in the matter of fish propagation, rearing, and conservation.

Research, to be effective, must be performed with a full knowledge of scientific methods, and by persons sufficiently adapted by education and experience to the field in which the work is done to insure the collection of dependable, factual information and the drawing of scientifically sound conclusions on the problems that need to be solved.

Even with the meager facilities in the hands of the commission, much educational work along the fundamental lines of sportsmanship could be done by at least some of the members of the staff through lectures to school groups, to the various service clubs, and to the sportsmens' clubs throughout the state. If a genuine love of the woods and wild life could be instilled in the youth of the state, many of the law enforcement activities now necessary might reasonably be expected to be curtailed over the next two generations.

Similarly, the program of conservation of wild life in the state might be stimulated by cooperation with the university or the state college in instituting correspondence courses for fish and game wardens. These courses could be made simple in the first year and might be depended on to increase the enthusiasm of the staff.

### Transportation Facilities for Fish and Game Wardens:

All regular and special deputy fish and game wardens furnish their own automobiles. The commission allows as expense all gasoline, oil, grease, tires, and repairs used or made necessary by the work performed for the commission. In addition, the commission pays \$20 a month for fourteen months as depreciation on the automobiles. Wardens average between 2,000 and 3,000 miles of driving a month, much of it over some of the worst roads and trails



in the state. While the present arrangement may be considered as fairly equitable to the commission and to the wardens, there would be ample justification for the commission to purchase all cars used in this work. The same difficulty of checking expenses which now exists would continue but state-owned cars could be marked with the state insignia and would ordinarily be used for none other than state purposes.

Furthermore, if the commission adopted a policy of owning all automobiles used by wardens, a special design of body could be purchased which might provide sleeping quarters for men who have to remain away from home for protracted periods. It might be well, also, to consider the advisability of providing cars with higher wheels, making it easier to travel in deep snow and over badly rutted roads.

It is recommended that the commission purchase all cars to be used by regular deputy wardens; and that consideration be given to the purchase of cars with bodies adaptable for sleeping quarters and with wheels of greater diameter than standard for use in deep snow and heavily rutted roads.

#### Licenses:

Hunting and fishing licenses are issued by the fish and game wardens and by designated individuals throughout the state. The fish and game wardens receive no part of the fees for licenses they issue but ten cents of the fees collected for each license issued by private enterprises is retained by the issuing authority. This is an accepted plan in use in many states.

The cost of hunting and fishing licenses of various types is as follows:

Resident bird and fish	\$ 2.00
Resident big game	1.00
Sportsman	5.00
Non-resident seasonal fishing	5.00
Non-resident 10-day limited fishing	2.50
Non-resident bird	10.00
Non-resident big game	30.00
Alien fishing	10.00
Alien bird	30.00
Alien big game	50.00

Resident big game licenses may only be issued to holders of resident bird and fish licenses. The holder of a resident big game license, for which he has paid a total of \$3.00, may hunt birds, fish, and hunt game animals throughout the open seasons. This same privilege costs non-residents \$45.00 and aliens \$90.00. All license fees are set by statute. There seems to be a greater difference between resident and non-resident license fees than is readily justifiable and there seems to be no necessity for combining a resident bird license with a resident fish license, as many sports men engage in one or the other of these sports to the exclusion of the other.



The revenue of the department would probably be materially increased and more money would be made available for fish and game propagation and conservation if licenses were issued separately for fish and for birds at \$1.50 or \$2.00 each and if the differential between resident and non-resident license fees were reduced. The present fees for residents are so small that an increase could be borne easily.

Any applicant for a license, simply by paying the fee stipulated, is entitled to receive a license to fish or hunt. No qualifications of any kind are set up for license holders and no knowledge of the fish and game laws is a prerequisite for obtaining a license. Neither is an applicant for a hunting license required to prove any knowledge of how to handle and use firearms. Minors under 15 years of age may fish or hunt for birds without a license of any kind. This latter provision of the statutes permits grave infractions of the law in that children of ages under 15 may accompany their parents fishing or hunting for birds and half the take be attributed to them even if the parents caught all the fish or shot all the birds.

It is recommended that applicants for licenses be examined as to their knowledge of the fish and game laws and as to their ability to handle and use firearms and that a minimum age be set on minors for hunting without licenses.

#### Receipts and Expenditures:

The receipts and expenditures reported by the fish and game commission for the fiscal years ended June 30, 1939, and June 30, 1940, respectively, are shown in the following tabulation:

	Fiscal Year	
	<u>1938-1939</u>	<u>1939-1940</u>
<u>Receipts:</u>		
Hunting and fishing licenses and shipping permits (net)	\$225,519.10	\$244,983.30
Delinquent accounts	273.60	759.90
Other licenses and permits	14,722.00	27,062.50
Miscellaneous revenue	17,555.23	23,257.93
Cancelled warrants	509.40	-
Fine money deposited direct with state treasurer	97.50	97.50
Total receipts	<u>\$258,676.83</u>	<u>\$295,966.13</u>







	Fiscal Year	
	<u>1938-1939</u>	<u>1939-1940</u>
<u>Expenditures:</u>		
General administration:		
Operation	\$ 35,545.04	\$ 36,969.19
Capital	2,487.41	6,336.01
Repairs and replacements	159.36	365.70
Commissioners expense	2,995.53	2,845.09
Deputies and special deputies	73,436.88	81,597.78
Miscellaneous	10,385.55	10,128.86
Stream survey	348.23	-
Total administration	<u>\$125,358.00</u>	<u>\$138,242.63</u>
Game farm - Warm Springs:		
Operation	\$ 12,397.14	\$ 12,216.27
Capital	481.95	5,371.99
Repairs and replacements	2,123.21	1,760.08
Total game farm - Warm Springs	<u>\$ 15,002.30</u>	<u>\$ 19,348.34</u>
Game farm - Billings:		
Operation	\$ 6,712.72	\$ 9,972.88
Capital	1,655.03	5,281.73
Repairs and replacements	945.84	1,154.95
Total game farm - Billings	<u>\$ 9,313.59</u>	<u>\$ 16,409.56</u>
Checking stations:		
Operation	\$ 128.79	\$ 1,866.92
Capital	-	592.95
Repairs and replacements	-	19.60
Total checking stations	<u>\$ 128.79</u>	<u>\$ 2,479.47</u>
Hatcheries:		
Operation	\$ 58,737.30	\$ 68,261.31
Capital	11,152.94	27,623.22
Repairs and replacements	3,736.32	4,429.28
Total hatcheries	<u>\$ 73,626.56</u>	<u>\$100,313.81</u>
Grand total expenditures	<u>\$223,429.24</u>	<u>\$276,793.81</u>
Excess of receipts over expenditures	\$ 35,247.59	\$ 19,172.32
Less accounting adjustments	1,009.40	-
Net excess of receipts over expenditures	<u>\$ 34,238.19</u>	<u>\$ 19,172.32</u>

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The cash balance on hand on June 30, 1940, was \$100,393.27

Under the statutes the fish and game commission has full authority in the determination of expenditures of its funds. Receipts, however, are controlled by the legislative assembly through the fixing of license and permit fees. The accumulation of over a hundred thousand dollars as a cash surplus is indicative of careful management.

Value and Cost of Services Rendered:

The fish and game commission was established to meet the demand of a large number of people of the state for the propagation and preservation of the wild life of the state. The commission is supported by special license and other fees paid by hunters and fishermen. Any major reduction in the activity of the commission would result in a decreased enforcement of the fish and game laws and decreased activity in the propagation and protection of fish and game with a rapid diminution of the stock now being built up.

The work of the commission can be viewed as a type of adult education. The same reasons may be advanced in justification of the fish and game activities of the state as can be advanced for athletic development in the schools, for municipal golf courses, and for other recreational facilities provided in various municipalities.

In addition, some have argued that fishing and game hunting provide a training school in woodcraft and the use of firearms that is invaluable as an adjunct to our national defense. The enthusiasts of many states are insisting that more money be spent to provide better facilities and are urging that additional special license fees be levied to support increased programs. So long as no demands are made on the general taxpayer, such a program is probably justified on any reasonable scale for which the beneficiaries are willing to pay.



Summary of Recommendations:

The recommendations expressed or implied in this report may be summarized as follows:

Recommendations Not Requiring Legislative Action:

- (1) That, to provide better supervision, one regular deputy fish and game warden be assigned the duty of acting for the state fish and game warden in his absence and the duty of supervising and instructing wardens in the field, and that the salary of such warden be set at the \$2,100 authorized by law pending a possible increase by statute.
- (2) That, to conform to the statutes, the commission employ salaried special deputy fish and game wardens for limited periods only.
- (3) That, to decrease costs, consideration be given to the purchase of refrigeration equipment at the various fish hatcheries.
- (4) That, to increase service, the commission provide more rearing pools so that fish may be kept for longer periods, thereby increasing the size of fish at distribution time, and decreasing the mortality rate in liberated fish.
- (5) That, to decrease cost, consideration be given to the purchase of more modern equipment for the distribution of fish.
- (6) That, to promote safety and to aid in enforcement, applicants for licenses be examined as to their knowledge of the fish and game laws and as to their ability to handle and use fire arms.
- (7) That, to conserve wild life, a program of education be developed to reach the schools, service clubs, and sportsmen's clubs throughout the state.
- (8) That, to promote the interest of the deputy wardens, steps be taken, if possible, in conjunction with the university or state college to institute correspondence courses for deputy wardens.
- (9) That, to attain better control, the commission purchase all automobiles to be used by regular deputy wardens; and that consideration be given to the purchase of automobiles with bodies adaptable for sleeping quarters and with wheels of greater diameter than standard for use in deep snow and heavily rutted roads.

THE HISTORY OF THE

REIGN OF THE EMPEROR OF THE ROMAN EMPIRE

FROM THE DEATH OF THE EMPEROR NERO TO THE

DEATH OF THE EMPEROR VESPASIANUS

IN THE YEAR OF THE CITY OF ROME

THE SEVENTH CENTURY

BY THE REV. JOHN BISHOP

OF THE CATHEDRAL OF DORCHESTER

IN TWO VOLUMES

LONDON: PRINTED BY J. B. ALDINE, 1789

THE HISTORY OF THE

REIGN OF THE EMPEROR OF THE ROMAN EMPIRE

Recommendations Requiring Legislative Action:

- (10) That, to create better internal organization, the superintendent of fish hatcheries be made responsible by law to the state fish and game warden as is now the practice; and that the state fish and game warden be placed officially as well as actually in charge of all of the staff of the agency.
- (11) That the law and the procedure governing recruitment of wardens be amended to conform to any system that may be adopted for the state as a whole.
- (12) That, to make enforcement easier without detriment to the program, all existing special laws regulating hunting and fishing in specified areas be repealed; that general laws governing open seasons, bag limits, and other general restrictions be passed by the legislative assembly; and that the fish and game commission be given authority to issue such regulations as it may deem necessary.
- (13) That, to increase revenue, licenses be issued separately for fish and for birds and that the differential between resident and non-resident license fees be reduced.
- (14) That, to promote safety, a minimum age be set on minors for hunting without licenses.



# THE HISTORY OF THE UNITED STATES

The first of these is the discovery of the continent by Christopher Columbus in 1492. This event is considered the beginning of the European era in the history of the United States. It led to the establishment of colonies and the eventual independence of the United States.

The second of these is the American Revolution, which began in 1775 and ended in 1783. This event led to the establishment of the United States as an independent nation.

The third of these is the Civil War, which began in 1861 and ended in 1865. This event led to the abolition of slavery and the establishment of the United States as a free nation.

The fourth of these is the World War, which began in 1914 and ended in 1918. This event led to the establishment of the United States as a world power.

The fifth of these is the Cold War, which began in 1945 and ended in 1991. This event led to the establishment of the United States as a superpower.

STATE OF MONTANA

GOVERNOR'S COMMITTEE ON REORGANIZATION  
AND ECONOMY

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FORESTRY AND PARK AGENCIES

(Report No. 43)

November 28, 1941

Prepared by  
Griffenhagen & Associates



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## REPORT ON FORESTRY AND PARK AGENCIES

### Introduction:

Three independent agencies and one semi-independent agency of the state government are engaged in furnishing forest conservation services and park facilities. They are:

Montana state board of forestry  
Montana state park commission  
Department of state lands and investments  
State forester (semi-independent agency)

Although each of these agencies is, in a measure, separate and distinct, all of them have at least one feature in common in that the state forester is made responsible for conducting certain of the "administrative activities." The state forester is the chief administrative and executive officer of the department of state lands and investments in all matters pertaining to the state forests; he is the secretary of the Montana state board of forestry and serves as its executive officer; and he is the secretary of the Montana state park commission and the director of state parks, ex officio. Thus, all the administrative work of the Montana state board of forestry and the Montana state park commission and part of the administrative work of the department of state lands and investments are performed in one office. For this reason, all of these agencies are treated together in this report, which for practical purposes might be termed a report on the state forester. Only such part of the activities of the department of state lands and investments as pertains to state forests is discussed here. A Montana forestry and conservation experiment station has been established in the school of forestry at Montana state university, but neither the experiment station nor the school of forestry is considered in this report.

### Composition and Functions of the Several Agencies:

The department of state lands and investments is governed by the board of state land commissioners which is composed of the governor, the superintendent of public instruction, the secretary of state, and the attorney general. Under the direction of this board, the state forester has general charge of all state forests. The state forester, however, is appointed by the governor, by and with the advice and consent of the senate, for a term of four years. The appointee must be "an elector of the state of Montana, trained and experienced in forestry." The state has two primary interests in the state forests under the control of the state forester:

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(1) Administration of the state forest lands to obtain revenues for the several purposes for which the land grants were originally made by the federal government.

(2) Conservation of the forest resources owned by the state.

The Montana state board of forestry was established in 1939 to serve the following purposes:

Protection and conservation of forest resources, forest range, and water.

Regulation of stream flow.

Prevention of soil erosion.

The board comprises eight members, seven of whom are appointed by the governor for terms of four years. The appointees must be selected as follows:

One member of the state water conservation board of Montana, designated by such board.

One elector of the state appointed upon the joint recommendation of the Blackfoot forest protective association and the northern Montana forestry association.

One elector of the state appointed upon the joint recommendation of the Montana stock growers' association and the Montana wool growers' association.

One elector of the state appointed upon the individual recommendations of the Montana state grange, the Montana farm bureau federation, and the Montana farmers' union.

One elector of the state appointed upon the recommendation of the Montana lumber manufacturers' association.

One elector of the state, who shall be a member of the faculty of the Montana school of forestry, appointed upon the recommendation of the president of the Montana state university.

One elector of the state appointed upon the recommendation of the regional forester, region one, United States forest service

The governor is the other member of the board and serves as its chairman, ex officio.

Although, by law, the board was created to serve the purposes listed above, actually it is almost wholly concerned with forest fire control. As such, it is empowered to prevent and to suppress fires at a cost each year of not less than one cent or more than five cents an acre. If such costs are not paid by landowners on a cooperative basis, they are certified to the county treasurer to be placed on the tax rolls and collected under the same procedures as property taxes are collected.



The Montana state park commission was created in 1939 and comprises three members appointed by the governor for overlapping terms of six years. They must be qualified electors of the state who have displayed active interest in, and knowledge of, the powers and duties conferred upon the commission. The function of the commission is that of "conserving the scenic, historic, archaeologic, scientific and recreational resources of the state, and of providing for their use and enjoyment, thereby contributing to the cultural, recreational and economic life of the people and their health....."

#### Activities of the State Forester:

In serving as the administrative officer of the three agencies described above, the state forester engages in the following activities:

Conducting the sale of timber on state lands. This involves appraisals, timber cruising, timber scaling, boundary marking, and general supervision of logging operations.

Conducting the sale, lease, and exchange of state lands. This involves land classification, appraisal, and survey and the observance of prescribed statutory methods for sale, lease, and exchange.

Protection of forests on state and private lands. This involves the construction and maintenance of fire protection facilities; the supervision and training of lookout men, patrolmen, fire foremen, and fire wardens; suppression of fires; conducting educational campaigns; issuance of burning permits; issuance of portable sawmill licenses; conducting and supervising slash disposal; cooperating with and directing the work of the civilian conservation corps in fire prevention, fire suppression and reforestation; classifying forest land; creating fire protection districts; determining fire protection costs; and collecting and certifying costs of fire protection.

Maintaining and developing state parks. This involves conducting studies as a basis for developing the system of state parks; acquiring park sites; maintaining and operating the state park at Morrison Cave; and negotiating with the state highway commission for the construction of roads and the development of highway beautification projects.

#### Organization and Staff:

The organization of the state forester's office, as of August 1941, is outlined in the following tabulation in which the indentations represent lines of authority and responsibility:



<u>Title of Position</u>	<u>Number of Positions</u>	<u>Annual Salary</u>
State forester	1	\$3,000
Clerk	1	1,500
Timber scaler	1	1,500
Assistant state forester	1	2,600
Cruiser, scaler, and foreman	1	1,500
State forest warden	1	2,600
Clerk	1	1,200
Fire warden	2	1,620
Foreman	1	.70 hr.
Scaler	1	
Chief guide (Morrison Cave Park)	1	1,800
Guides in summer season as needed		

In addition to the staff shown, scalers and foremen, sub-foremen, and laborers on slash and brush disposal are employed as needed to work under the supervision of the assistant state forester and the state forest warden.

The nature of the work performed by the state forester is necessarily seasonal, and the outline above is more indicative of the permanent staff than of the "peak-season" staff. The following tabulation, showing the number of employees at the end of each quarter of the last fiscal year, is representative of the seasonal activity of the agency.

<u>Date</u>	<u>Number of Employees</u>
September 30, 1940	30
December 31, 1940	22
March 31, 1941	108
June 30, 1941	91

It is entirely possible that the permanent staff of the agency will have to be somewhat increased in the near future due to increased logging operations and increased necessity for slash disposal. The maximum charge for slash disposal has been increased recently from 15 cents per 1,000 board feet to 25 cents, and this should provide funds for the necessary increase in activities.

#### Fire Protection:

The state forester contracts with various fire protective agencies for the prevention and suppression of fires, at a cost ranging from 1.32 cents to 5.66 cents an acre. Where no effective fire protective agency exists the state forester supervises fire prevention and suppression work largely through local officers. The actual cost to the state of fire prevention work on privately owned lands is





assessed against such land and if not paid constitutes a lien on the property. The assessment rate ranges between one and five cents an acre each year.

Losses from forest fires have not been heavy in Montana. The law demands that slash and brush be burned after logging operations and prescribes that 25 cents for each thousand feet of lumber cut be retained for this work. Where the logging contractor elects not to do this work himself, the state forester actually performs the operation for the fee retained. This removal of slash and brush has undoubtedly contributed largely to the effectiveness of fire prevention in the state.

#### Consolidation of State Timber Lands:

It is the express policy of the state forester to consolidate, as far as is possible, the forest lands of the state. The forester has been able to trade more or less isolated areas of state owned timber for other areas contiguous to state forest lands. This consolidation simplifies supervision, enables the forester to concentrate his efforts, and in general makes it possible to sell timber on a larger scale. Selling larger consolidated areas simplifies the logging operations and may bring a better price for timber.

#### Cut-Over Private Lands:

After timber has been cut the land often reverts to the counties for non-payment of taxes. Counties, where possible, have sold this land to settlers at nominal prices, but enough to pay the tax delinquency. In a great many cases the land is unfit for farming and in a short time it again reverts to the counties for taxes and fire insurance assessments. In the meanwhile the settler cuts what wood he needs for fuel and thus stops natural reforestation. This procedure benefits no one and materially decreases one of the most valuable natural assets of the state.

Perhaps a better procedure would be for counties to turn over to the state all cut-over land taken by them for taxes. The state is in a far better position to handle such areas than any county. It would simply mean an addition to the half million acres of land now owned and managed by the state. If this could be done the state might get enough revenue from cut-over land by leasing it for grazing or other purposes to reimburse the counties for delinquent taxes. The state would become the owner of additional acres of timber land, which in time would be ready for logging and return a profit to the state. Until the timber grew to logging size there would be some income from leases.





### Pulp Wood:

The state owns a great many acres of timber land on which it will never be possible to harvest a timber crop. These areas lie, for the most part, east of the divide and the trees, principally pines, never mature to the size that is necessary for profitable logging. In some of the southern states a market has been found for second growth scrub timber for paper pulp. Although the prospects are not very encouraging, some effort might be made to attract manufacturers of paper to the state. Whatever revenue might accrue to the state from this source would be profit and a crop of this type of timber could be expected in a reasonably short period of years.

### Hardwood:

It is reported that the amount of hardwood - hickory, oak, locust, ash, maple, cherry, walnut, and the like, in the state is negligible. While hardwood takes longer to grow, the income derived from it would be proportionately more than income from the woods now grown and cut in the state. Incidentally hardwood provides food for wild life in the form of nuts, acorns, and the like.

It is reported that Salt Lake City has been able to grow all of the species of hardwood that flourish in New England. The elevation and climatic conditions of Utah differ but slightly from those in Montana.

There are probably some state owned areas in the state that are suitable for growing a hardwood crop. The price that hardwood demands on the market would justify the state forester or his assistants in spending some time in a survey of state owned cut-over land for the purpose of establishing an experimental project. The forestry school of the university of Montana might well be called upon for help in raising seedlings for future planting, in studying the culture of this type of timber and in collecting seed.

If seed could be obtained from some locality similar to Montana, where the trees have become acclimated over a period of years, a greater measure of success could be anticipated.

It is recommended that the state forester institute experiments on the possibility of propagating and growing hardwood timber on selected state-owned forest land.

### Cooperation with the University of Montana:

At the present time there is little or no contact between the state forester and the forestry school of the university. Exchanges of ideas on fire prevention and control, reforestation, and kindred subjects would be of lasting benefit to the state. The state forester should feel free to use the facilities of the university for increasing the effectiveness of his organization and for experimental purposes.



## State Parks:

While the state owns some half a million acres of land throughout the state, it has but one developed park area - Morrison Cave state park.

This park was developed under the technical guidance of the national park service with the assistance of the civilian conservation corps. Up to June 30, 1940, the CCC participation in the development of the cave and park amounted to \$203,893.00 and the state had furnished \$16,527.15. This park has been turned over to the state park commission for operation. A small charge is made for entrance into the cave. The revenue from this fee will more than pay all expenses at the park.

It is estimated by the state park commission that one million people from other states visited Montana during the summer of 1939. It is also estimated by the commission that these tourists spent upwards of \$23,000,000 in the state. It is probable that the number was exceeded in 1940 and 1941.

It is fair to assume that the destination of most of the tourists who plan to stop in the state is Yellowstone National Park or Glacier National Park. Relatively few probably come to Montana to stay any great length of time in the state outside of these parks.

It would, of course, be an added asset to the state if it could afford a large outlay for development of state park areas. It is doubtful, however, if any return commensurate with the outlay could be expected to accrue. There are many places of historical and scenic interest within the borders of the state that, if made readily accessible, would probably attract the motoring public to the extent of causing them to spend a proportionately larger part of their available time in the state, thus adding to the general income now derived from tourists. It is doubtful, however, if many of these locations could be made revenue producers to any great extent or if it would be desirable to attempt to make them such.

The state park commission was granted no funds from the legislative assembly for park purposes and even if funds were available it is doubtful whether much more need be done than to make state owned scenic and historical areas accessible on good roads from main traveled highways and to have suitable markers made and erected at particularly interesting locations.

The state highway commission might devote some of its funds to roadways to state parks and, as the federal government is interested in preserving historical landmarks in the nation, some assistance might be expected of it.

It is reported that in several areas of the state virgin forests border on main highways. The desirability for preserving at least some of these trees to a depth of several hundred feet from the highways is hardly open to question. Virgin timber in the United States is fast disappearing and the retention of at least some small acreage would have a distinct educational value to future generations.



Although the state would hardly be justified in spending any considerable amount of money for park development purposes at this time, this should not preclude the department from making observations and surveys of desirable park sites and submitting them to the state planning board for future action.

### Receipts and Expenditures:

According to the report of the state park commission, the receipts at Morrison Cave state park from September 10, 1939, when the cave was opened to the public, to October 15, 1940, were \$9,597.04. Expenditures for the same period were \$5,774.02. This operation resulted in a net operating profit for the period of \$3,823.02.

During the year ended June 30, 1940, the state forester collected \$42,522.61 for timber sales, \$9,673.67 for timber permits, and \$9,544.47 for land rentals, making a total of \$61,740.75. These receipts were credited to various state funds as specified by the grants of land under which they arose.

Receipts from other sources used for brush and slash disposal, and land protection were as follows:

Federal Clarke-McNary	\$26,079.00
Slash disposal	31,336.12
Brush disposal	8,734.68
Fire protection assessment	<u>4,659.14</u>
	<u>\$70,808.94</u>

The moneys from these sources are available for fire prevention and protection activities of the state forester. The expenditures from the fund to which these receipts are credited are shown in the following tabulation:

	Expendi- tures 7/1/39 to 6/30/40	Appropria- tions 7/1/40 to 6/30/41	Appropria- tions 7/1/41 to 6/30/42
Land protection salaries and expenses	\$29,946.63	\$27,285.00	\$27,285.00
Brush disposal salaries and expenses	7,618.53	10,700.00	10,700.00
Slash disposal salaries and expenses	<u>25,367.39</u>	<u>25,170.00</u>	<u>25,170.00</u>
Total land protection, brush disposal and slash dis- posal	<u>\$62,932.55</u>	<u>\$63,155.00</u>	<u>\$63,155.00</u>







The following tabulation shows the expenditures from the general fund for the fiscal year ended June 30, 1940, and the appropriations for the years ending June 30, 1941, and 1942:

	Expendi- tures 7/1/39 to 6/30/40	Appropri- ations 7/1/40 to 6/30/41	Appropri- ations 7/1/41 to 6/30/42
From general fund:			
Administration:			
Salaries fixed by law	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
Salaries not fixed by law	4,550.00	4,550.00	4,550.00
Capital repairs and replacements	382.09	400.00	400.00
Operation	616.78	675.00	675.00
Exchange of lands	424.91	450.00	450.00
Total administration	\$ 8,973.78	\$ 9,075.00	\$ 9,075.00
Protection of state lands:			
Salaries and expenses	13,450.00	13,450.00	13,450.00
Timber sales:			
Salaries and expenses	5,765.89	7,000.00	7,000.00
Total general fund	<u>\$28,189.67</u>	<u>\$29,525.00</u>	<u>\$29,525.00</u>

In 1941 a deficiency appropriation of \$5,765.00 was made to pay obligations of prior years not included in the foregoing figures.

#### Value and Cost of Services Rendered:

During the year ended June 30, 1940, the revenue of the state park commission for fees for entrance into the Morrison Cave exceeded operating expenses at the cave by almost four thousand dollars. It is probable that these receipts will increase annually as the park becomes better known. In any case there should never be an operating loss at Morrison Cave park.

The total cost of operating the office of the state forester in the fiscal year ended June 30, 1940, was \$91,122.22. Of this amount \$28,189.67 was appropriated from the general fund and \$62,932.55 was appropriated from a fund whose revenue is made up of fees collected from slash disposal and fire protection.

The appropriation from the general fund is more than offset by sales of timber and rentals which amounted in the year ended June 1940 to \$61,740.75.

There is an important value in the conservation of timber land in the state. The state owns enough timber land so that there can be an annual crop of reasonable size in all future years. While it takes most of a century to grow a crop of timber in Montana, careful budgeting will insure a constant annual crop. The state forester is scheduling his cutting so that the state may expect a fairly steady annual income from its timber lands. In addition, intelligent handling of timber lands will conserve wild life in the state.



Summary of Recommendations:

The recommendations expressed or implied in this report may be summarized as follows:

Recommendations Not Requiring Legislative Action:

- (1) That investigation be made into the possibilities of establishing a paper industry in Montana to use the large quantity of pulpwood available in state forest lands.
- (2) That the state forester institute experiments on the propagation and growing of hardwood on selected state owned lands.
- (3) That the state forester and the school of forestry at the university cooperate more fully on their common problems.
- (4) That the state make no large outlay at this time on state parks.
- (5) That the state park commission and the highway commission cooperate in the building of access roads to some of the scenic and historic points of interest in the state.

Recommendation Requiring Legislative Action:

- (6) That consideration be given to amending the laws relating to the sale of cut-over forest land by the countries so that this land may be turned over to the state for reforestation.



STATE OF MONTANA

GOVERNOR'S COMMITTEE ON REORGANIZATION  
AND ECONOMY

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OIL CONSERVATION BOARD OF THE STATE OF MONTANA

(Report No. 27)

October 29, 1941

Prepared by  
Griffenhagen & Associates



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REPORT ON  
OIL CONSERVATION BOARD OF THE STATE OF MONTANA

Introduction:

The oil conservation board of the state of Montana was created in its present form by the legislature in 1933. It did not take over the duties of any existing agency. The administrative offices of the board are located at Great Falls.

Functions and Activities:

The statutes give the oil conservation board power to prescribe rules and regulations governing the operation of producing oil wells, but the board of railroad commissioners exercise, by law, control over the drilling, casing, and abandonment of oil and gas wells. Producing gas wells are subject to control by the public service commission. In actual practice, the activities of the oil conservation board are primarily those involved in the collection and dissemination of information regarding the petroleum industry, rather than those pertaining to the enforcement of regulatory measures.

The principal types of information collected or compiled by the oil conservation board may be listed as follows:

Weekly synopses of well drilling operations.

Logs of oil and gas wells.

Plats showing locations of wells.

Monthly statements of crude petroleum produced in each field.

Monthly statements of gas withdrawals from each field.

Monthly statements of petroleum in storage in the state.

Monthly statements of petroleum transported into the state.

Monthly statements of petroleum received by refineries.

Oil and gas leases recorded.



Summary statements, showing the number of barrels of crude oil produced, transported, refined, or stored in the state, are furnished on a monthly and an annual basis to various governmental agencies, particularly the federal government, and to private individuals and organizations.

In order to defray the expenses of operating the board, a tax of one-fourth of one cent is levied and collected by the board on each barrel of crude oil produced in the state. In addition, the state board of equalization collects quarterly from the producers a tax based on the value of the crude oil sold during the period.

#### Organization and Staff:

The oil conservation board is composed of five members appointed by the governor for terms of two years. The members must have resided in the state for one year preceding appointment, and four of them must be engaged in the production of crude petroleum in Montana. The members are allowed no compensation for their services, but do receive reimbursement for traveling expenses incurred in connection with the work of the board.

The administrative staff of the board is as follows:

<u>Title of Position</u>	<u>Annual Salary</u>
Secretary	\$3,600
Accountant	2,100
Engineer clerk	7.50 a day
Stenographer	1,380
Stenographer and typist (part time)	420
Clerk-typist (part time)	.60 an hour

#### Reports and Records:

Only a limited amount of field work is carried on by the administrative staff of the oil conservation board. Most of the information collected by the board is submitted to it by the oil industry. In addition to the reports that are submitted to it by producers, transporters, and refiners, the oil conservation board receives information from the board of railroad commissioners and the state board of equalization. This interchange of data among the various state agencies has not been carried as far as would be desirable. For example, the state board of equalization, the board of railroad commissioners, and the oil conservation board require separate reports as to the quantity of crude oil produced either monthly or quarterly. Each agency secures this information directly from the producers on report forms that are similar, and yet sufficiently different to cause difficulty for persons who must report to the three agencies. There seems to be no reason why one report form could not be designed to give all of the information regarding

The first of these is the fact that the  
 government has been unable to secure  
 the necessary funds to carry out its  
 policy of non-interference in the  
 internal affairs of the country.

The second is the fact that the  
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 policy of non-interference in the  
 internal affairs of the country.

### THE SECOND

The third is the fact that the  
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### THE THIRD

The sixth is the fact that the  
 government has been unable to secure  
 the necessary funds to carry out its  
 policy of non-interference in the  
 internal affairs of the country.

production required by each agency.

Another example of the failure of the various state agencies to cooperate to the fullest extent in securing information from the oil industry is to be found in the collection of logs of oil and gas wells. The board of railroad commissioners requires each driller to send in two copies of the log of each well. The oil conservation board does not require drillers to submit logs, but it does endeavor to secure them from various sources including the drillers. Often it is necessary for the oil conservation board to transcribe the logs from records borrowed from other state agencies or individuals. This causes additional clerical work which might well be eliminated by proper cooperation among the various state agencies.

These examples are cited only to illustrate that closer cooperation among the state agencies would reduce the number of reports required from the oil industry, and, at the same time, would provide the various agencies with information at less cost.

It is recommended that the oil conservation board, the board of railroad commissioners, and the state board of equalization make a study, on a cooperative basis, of all of the data secured from the oil industry, and that they devise a scheme whereby the number of reports required by the state can be reduced to a minimum.

#### Receipts and Expenditures:

The only receipts of the oil conservation board are those collected from the tax levied on each barrel of oil produced in the state. The rate of this tax was formerly three-eighths of one cent a barrel, but the legislature changed the rate to one-fourth of one cent a barrel in 1937. The amounts collected from this tax have been as follows:

<u>Calendar Year</u>	<u>Amount</u>
1934	\$11,749.62
1935	16,431.54
1936	20,189.39
1937	15,225.25
1938	11,590.67
1939	12,827.68
1940	15,698.43

These receipts are deposited in a special fund which is expendable by the board without specific legislative appropriation. The board receives no appropriation from the general fund of the state.

The first part of the report deals with the general situation of the country. It is a very interesting and well-written account of the country and its people. The author has done a great deal of research and has gathered a wealth of material. The second part of the report deals with the history of the country. It is a very interesting and well-written account of the history of the country and its people. The author has done a great deal of research and has gathered a wealth of material. The third part of the report deals with the present situation of the country. It is a very interesting and well-written account of the present situation of the country and its people. The author has done a great deal of research and has gathered a wealth of material.

The fourth part of the report deals with the future of the country. It is a very interesting and well-written account of the future of the country and its people. The author has done a great deal of research and has gathered a wealth of material. The fifth part of the report deals with the conclusion of the report. It is a very interesting and well-written account of the conclusion of the report and its people. The author has done a great deal of research and has gathered a wealth of material.

The sixth part of the report deals with the appendix. It is a very interesting and well-written account of the appendix and its people. The author has done a great deal of research and has gathered a wealth of material. The seventh part of the report deals with the bibliography. It is a very interesting and well-written account of the bibliography and its people. The author has done a great deal of research and has gathered a wealth of material.

APPENDIX

The appendix contains a list of the names of the people who have been mentioned in the report. It is a very interesting and well-written account of the appendix and its people. The author has done a great deal of research and has gathered a wealth of material.

NAME	DATE
John Doe	1910
Jane Doe	1911
John Doe	1912
Jane Doe	1913
John Doe	1914
Jane Doe	1915
John Doe	1916
Jane Doe	1917
John Doe	1918
Jane Doe	1919

The eighth part of the report deals with the index. It is a very interesting and well-written account of the index and its people. The author has done a great deal of research and has gathered a wealth of material. The ninth part of the report deals with the conclusion of the report. It is a very interesting and well-written account of the conclusion of the report and its people. The author has done a great deal of research and has gathered a wealth of material.



The expenditures of the oil conservation board for the calendar year 1940 were as follows:

<u>Class of Expenditure</u>	<u>Amount</u>
Salaries and wages	\$9,789.90
Traveling expense	1,007.72
Office supplies, printing, etc.	842.23
Postage	302.00
Telephone and telegraph	354.78
Office rent	945.00
Equipment	505.31
Miscellaneous	197.11
	<u>\$13,944.05</u>

The balance in the oil conservation board fund as of December 31, 1940, was \$16,253.10.

Value and Cost of Services Rendered:

The oil conservation board, as it now operates, is primarily of benefit to the petroleum industry of the state. It is of benefit to the people as a whole only insofar as the indirect economic effects of the expansion of the oil industry may reach them. As long as the board is rendering a specialized service for the petroleum industry, this group should continue to bear the entire cost of operation as is now being done.



### Summary of Recommendations:

The recommendations expressed or implied in this report, for which no legislation is required, may be summarized as follows:

- (1) That the oil conservation board, the board of railroad commissioners, and the state board of equalization make a study, on a cooperative basis, of all of the data secured by the state from the oil industry; and that they devise a scheme whereby the number of reports may be reduced to a minimum.

THE UNIVERSITY OF CHICAGO, CHICAGO, ILL. 60637  
 DEPARTMENT OF THE HISTORY OF ARTS AND ARCHITECTURE

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 DEPARTMENT OF THE HISTORY OF ARTS AND ARCHITECTURE

STATE OF MONTANA

GOVERNOR'S COMMITTEE ON REORGANIZATION  
AND ECONOMY

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AGENCIES FOR THE CONSERVATION OF  
AGRICULTURAL RESOURCES

(Report No. 10)

September 12, 1941

Prepared by  
Griffenhagen & Associates

1. The first part of the paper is devoted to the study of the

properties of the function  $f(x)$  defined by the

equation

where

and  $\alpha$  is a constant.

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REPORT ON  
AGENCIES FOR THE CONSERVATION OF  
AGRICULTURAL RESOURCES

Introduction:

There are three separate and distinct state agencies established by statute to deal with problems involving the conservation of agricultural resources.

The Montana grass conservation commission, which is concerned with the conservation and utilization of grazing lands, was established by legislative act in 1939, and superseded a similar commission created in 1935.

The state soil conservation committee, which assists in the work of the soil conservation service of the United States department of agriculture, was created in 1939, and also superseded a similar committee provided for by the statute in 1937.

The Montana agricultural conservation board was authorized by the legislature in 1937 for the purpose of providing a state agency to assist the federal government with its acreage allotment programs.

Montana Grass Conservation Commission:

The primary function of the Montana grass conservation commission is to provide for the conservation, protection, restoration, and proper utilization of the grass, forage, and range resources of Montana. In order to carry out this function, the commission is empowered by the statutes to provide for the incorporation of cooperative, non-profit grazing districts. The purpose of these grazing districts is to provide a practical method of utilizing grazing lands in areas where the ownership is diverse and the lands are intermingled. They also make it possible to use grazing lands belonging to the federal, state, and county governments.

As the principal function of the commission is to be carried out through cooperative grazing districts, the commission is concerned primarily with assisting in the organization and administration of such grazing districts. The principal activities it now carries on are as follows:

Assisting old grazing associations to reorganize as cooperative state grazing districts.

Assisting grazing districts with procedures for carrying on their work.

Interpreting the purpose and meaning of the Montana grass conservation act.

Assisting with the formation of new grazing districts.

The work of the commission is carried out in close cooperation with that of various federal agencies concerned with the problems of conserving and utilizing range lands. The most important of these are the United States department of the interior, which administers the Taylor grazing act, and the soil conservation service of the United States department of agriculture. The commission does not have the responsibility for distributing the federal moneys



that are allowed by these agencies for the benefit of the cooperative districts and the counties in which the districts are located. The legislature has provided a specific basis for this distribution, and it is handled by the state treasurer.

The Montana grass conservation commission has five members appointed by the governor and approved by the senate. In appointing the commission the governor is required by law to give consideration to representation of both large and small grazing operators. He is also required to select one member to represent the general public, and this member must be familiar with the livestock industry. In selecting the remaining four members, the governor is limited in his choice to one member from each of the following groups:

Montana stockgrowers association  
Montana woolgrowers association  
County commissioners association  
A cooperative state grazing district

The commission members serve without compensation, but the statutes provide that a secretary may be employed. The commission formerly maintained two offices and did not have a permanent full-time secretary. However, this plan has been abandoned recently in favor of a permanent secretary who receives \$200 a month.

The office of the commission is located in Helena in a privately owned building where rent of \$25 a month is paid. Every effort should be made to find quarters for this office in the state capitol building as long as an office is to be maintained in Helena. If possible the office should be located with the department of agriculture, labor, and industry.

Because of the fact that most of the districts are in the eastern part of the state, it might be more economical to move the office to a city nearer the center of the grazing districts. At present, considerable travel from Helena is required to reach most of the districts.

The administrative expenses of the commission are defrayed by an assessment levied on the several grazing districts. This assessment is based on a rate of five cents on each animal unit in the district. The exact amount of the collections during the fiscal year 1940-1941 is not readily available, but the secretary estimates that the collections in the current fiscal year will be approximately \$6,000.

The expenditures of the Montana grass conservation commission during the fiscal year ended June 30, 1940 were as follows:

<u>Class of Expenditure</u>	<u>Amount</u>
Salaries	\$ 1,694.47
Office supplies and expenses	1,034.79
Travel	1,560.48
Capital expenditures	<u>36.00</u>
Total expenditures	\$ <u>4,325.74</u>

The commission is authorized by the legislature to expend in the current biennium the amounts which it collects from the special assessment on the districts, but it has no other appropriation.



State Soil Conservation Committee:

The principal functions of the state soil conservation committee are to determine, upon petition of the occupants of land in any area, whether or not the establishment of a soil conservation district is desirable and feasible; to define the boundaries of a proposed district; and to supervise the establishment of the district, including the holding of a referendum and the appointing of two supervisors to the governing body of the district. In addition to the assistance it gives in the establishment of cooperative soil conservation districts, the committee also renders assistance in the operation of districts.

These districts are organized to carry out the work of the soil conservation service of the United States department of agriculture. This federal agency furnishes agronomists, soil surveyors, engineers, and whatever other technical assistance the districts may need. The soil conservation service employs a state coordinator in each state to work with the districts.

The state soil conservation committee consists of seven members. Two members are appointed by the governor, and in selecting these members he must choose one member from among each of a group of five persons proposed by each of the two leading farm organizations. The remaining five members are as follows:

- Director of the state agricultural experiment station at Bozeman (ex officio)
- Director of the state extension service at Bozeman (ex officio)
- One member of the Montana grass conservation committee (selected by the Montana grass conservation committee)
- One member of the water conservation board (selected by the water conservation board)

The secretary of agriculture of the United States is empowered to appoint a non-voting member to the committee.

None of the members receive any compensation for their services in connection with the activities of the committee, but some of them are being paid as regular full-time employees of other state agencies. The committee does not have any administrative employees, but the office of the state coordinator, an agency of the federal government, furnishes some clerical assistance in connection with its work.

The committee does not collect any money and none is collected in its behalf. The legislature has regularly been requested to make appropriations but has made none. Since this agency collects no money and receives no appropriation, it is not able to make any direct expenditures. However, other state agencies are contributing not only the time of their employees, but in some cases are reimbursing employees for travel in connection with the work of the soil conservation committee. It is probably not feasible to charge any of the salaries of the committee members against the expenses of operating the committee, but traveling expenses should be shown as a cost of the state soil conservation committee and not lost in the expenses of other agencies. Until proper legislation is possible, it is recommended that an effort be made to have the soil conservation districts voluntarily pay the traveling expenses of the committee.

Montana Agricultural Conservation Board:

The Montana agricultural conservation board was created by the legislature after the original federal acreage allotment program was declared unconstitutional. It was thought at that time that the states would be required



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to provide administrative machinery to carry out the purposes of the federal agricultural programs. However, the subsequent passage by congress of the soil conservation and domestic allotment act has made such a state agency unnecessary, and as a result, this committee is inactive. There seems to be no reason for continuing the agricultural conservation board, and it is recommended that the statutes creating it be repealed. If the present allotment program of the federal government should also be declared constitutional, this committee would be powerless. It would have to depend on the federal government for financial support, and without such assistance it could do nothing.

#### Value and Cost of the Services Rendered:

Both the Montana grass conservation commission and the state soil conservation committee are rendering services to special groups. The federal government is amply meeting whatever obligations governmental agencies may have in promoting the conservation of agricultural resources. The benefits of these two state agencies are accruing primarily to the members of the cooperative districts, and these districts should defray the entire cost of operating the agencies. It is recommended that the present assessment against the state cooperative grazing districts be continued and that a charge be made against the soil conservation districts to meet the operating expenses of the state soil conservation committee.

#### Summary of Recommendations:

The recommendations, expressed or implied, in this report may be summarized as follows:

##### Recommendations not Requiring Legislation:

- \*\* (1) That, if the office of the Montana grass conservation commission is to be maintained in Helena, it be moved to the state capitol if it is possible to find space and that it be in or near the offices of the department of agriculture, labor, and industry.

##### Recommendations Requiring Legislation:

- (2) That the traveling expenses of ex officio members of the state soil conservation committee be paid by the soil conservation districts rather than by the agencies that regularly employ these members.
- (3) That the entire cost of operating the Montana grass conservation commission and the state soil conservation committee be charged against the cooperative districts that these agencies sponsor and assist.
- \*\*\* (4) That the Montana agricultural conservation board, which is now inactive and the need for which has ceased to exist, be abolished by repeal of the statute creating it.

\*\* Recommendation approved by Committee and Executive Order issued by Governor

\*\*\* Recommendation approved by Committee and recommended by the Governor for legislative action

The first part of the report deals with the general situation of the country and the progress of the work during the year. It is followed by a detailed account of the various projects and the results achieved. The report concludes with a summary of the work done and a list of the names of the persons who have been engaged in the work.

REPORT ON THE WORK OF THE COMMITTEE DURING THE YEAR 1915

The Committee has during the year 1915, been engaged in the following work: The first part of the report deals with the general situation of the country and the progress of the work during the year. It is followed by a detailed account of the various projects and the results achieved. The report concludes with a summary of the work done and a list of the names of the persons who have been engaged in the work.

REPORT ON THE WORK OF THE COMMITTEE DURING THE YEAR 1916

The Committee has during the year 1916, been engaged in the following work: The first part of the report deals with the general situation of the country and the progress of the work during the year. It is followed by a detailed account of the various projects and the results achieved. The report concludes with a summary of the work done and a list of the names of the persons who have been engaged in the work.

REPORT ON THE WORK OF THE COMMITTEE DURING THE YEAR 1917

The Committee has during the year 1917, been engaged in the following work: The first part of the report deals with the general situation of the country and the progress of the work during the year. It is followed by a detailed account of the various projects and the results achieved. The report concludes with a summary of the work done and a list of the names of the persons who have been engaged in the work.

The Committee has during the year 1918, been engaged in the following work: The first part of the report deals with the general situation of the country and the progress of the work during the year. It is followed by a detailed account of the various projects and the results achieved. The report concludes with a summary of the work done and a list of the names of the persons who have been engaged in the work.

STATE OF MONTANA  
GOVERNOR'S COMMITTEE ON REORGANIZATION  
AND ECONOMY

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CUSTODIAN OF THE STATE CAPITOL  
(Report No. 16)

September 26, 1941

Prepared by  
Griffenhagen & Associates



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## REPORT ON

### CUSTODIAN OF THE STATE CAPITOL

#### Introduction:

The state capitol is located on grounds covering twelve and one-half acres. In addition to the capitol building proper, five smaller buildings are also located on the capitol grounds. These buildings are the highway building, the state board of health building, livestock building, the industrial hygiene building, the power plant, and a small garage. The custodian of the state capitol is responsible for the care of all these buildings, although the highway building is only nominally under his control. The original capitol building was completed in 1903 and wings were added in 1912. Its value as shown by the custodian's inventory on July 10, 1941, was approximately \$1,600,000

#### Functions and Activities:

As the title of the office indicates, the custodian of the state capitol is responsible for supervising and directing the work of "caring for and maintaining" the state capitol and its equipment and grounds. In discharging this responsibility, the following principal activities are involved:

- (1) Cleaning (general janitorial activity)
- (2) Repair of buildings, appurtenances, and equipment
- (3) Providing utility services
- (4) Maintaining grounds
- (5) Providing fire protection and watchman services

In addition to these activities, the custodian has fallen heir to the responsibility for escorting visitors through the capitol building. Still another activity, that of providing certain mail services, is nominally assigned to the custodian, although his responsibility in this respect is ill-defined and definitely limited, as discussed later in this report.

#### Organization and Staff:

The organization of the office as of July 28, 1941, may be charted in the following manner:

<u>Title of Position</u>	<u>Annual Salary</u>
Custodian of the State Capitol	\$ 2,000
Engineer	2,040
Carpenter	2,040
Watchman	1,500
Utility man and office assistant	1,500
Lawnman (2)	1,500
Janitors (9)	1,500
Postmaster	1,500*
Assistant postmaster	1,680

\*The postmaster receives additional compensation amounting to \$600 a year from the federal government.





In addition to the staff as listed above, part-time and temporary workers are employed at various periods during the year. The salaries of all employes, with the exception of the postmaster and his assistant, are set by statute. This situation is a bit unusual, to say the least, in view of changes in prevailing wage scales for this type of labor. It is interesting to note that two positions carry larger salaries than that of the custodian.

All appointments are made by the governor, except that the postmaster and his assistant are appointed by the state board of examiners with the approval of the postmaster general. This board is also charged with the responsibility of directing the work of the custodian and handles all assignments of building space.

#### Policies and Procedures:

Cleaning: The buildings are in a reasonably satisfactory state of cleanliness, although the work could possibly be facilitated by more careful planning and supervision. The policy is to assign each janitor a particular space and hold him accountable for the work in that area rather than to maintain a strict schedule of working hours. While this policy has certain advantages, it also has grievous shortcomings which probably outweigh the advantages. Furthermore, there is no supervisory employe present during the hours when most of the janitorial work is done. It is recommended that a definite schedule of working hours for each janitor be developed and enforced and that one of the janitors on night duty be placed in a position of supervisory authority.

Janitorial supplies are kept in a central storeroom and are charged out to individual janitors as requisitioned. Reasonably satisfactory records of such charges are maintained in the custodian's office. Some evidence of carelessness on the part of individual janitors in handling supplies exists. Such supplies should be kept under lock and key in janitor's closets when not in use.

The highway building, which is occupied by the state highway commission and the highway patrol, is not actually under the care of the capitol custodian, although he signs the payroll of the janitors for such building. It is reasonable to assume that some economies could be effected if the capitol custodian were responsible for this building in addition to his other responsibilities. It should be pointed out that janitors for the highway building are paid \$145 a month from highway funds, although the statutory salary for janitors is \$125 a month.

Repairing: Minor repair work in connection with the office is in the main the responsibility of three employes - the carpenter, the engineer, and the utility man and office assistant. Perhaps half of the carpenter's time is consumed in the construction of new equipment. The staff is not equipped to do major repair work. The capitol building and the heating plant are in need of several major repairs. Most of these are listed in a report of the Montana State Planning Board, dated March 15, 1941, entitled "A Recommended Six-Year State Construction Program..." These repairs should be made, if and when funds for such purposes can be made available.

In this connection, it should be mentioned that no drawings of the plans of the buildings are available in the custodian's office. This deficiency, particularly the lack of blueprints of the systems of utilities, might prove to be serious. The situation would become especially aggravated if some of the older employes in length of service were to become separated from their positions for one reason or another. The custodian's office should also have available the manufacturers' specifications for the operation of machinery.



A system of work orders for repairs would give the custodian more control over the activities of his employees and would insure the priority of the more necessary repairs.

Utility Services: In view of the age of the heating plant, the heating problem is being met fairly well. Small economies could undoubtedly be effected by periodical inspection of the steam system, by careful control over ventilation in the various offices, and by maintaining records of meter readings on the operation of the heating plant. For example, a systematic count of windows open at various times of the day during the heating system would prove valuable in reducing fuel costs. At present the only records kept are those of fuel consumption and temperature. An adequate log of all data necessary to effect the most efficient operation of the plant should be maintained. More particularly, alkalinity tests and the metering of feed water and of steam flow would be desirable.

The several buildings are now being served with commercial electricity. Although there is no specific plan in effect to govern the times at which motors may be used, they are probably not used in such a manner as to affect materially the demand charge for current. There is a possibility that the state could manufacture its own electricity at a cost below that of the present commercial rates.

The use of electrical current has been somewhat reduced recently by replacing large bulbs in hallways with smaller bulbs. Additional reductions could probably be effected by periodic inspections to prevent the fruitless use of lights and power.

Fire Protection: The capitol building is inadequately protected from fire hazards. The only fire defenses available are three chemical carts and twenty fire extinguishers. These are inspected and refilled periodically. However, only three fire hydrants are located within the capitol grounds; there are no standpipes in the building to which fire hose might be connected; and there is no fire hose. There are no alarm boxes in the building and none in the immediate vicinity. The basement of the building has at least three distinct fire hazards:

- (1) A paint shop
- (2) A carpenter shop
- (3) Storage rooms equipped with wooden shelves and full of books and papers

The building should be equipped with standpipes, having the same thread connections as those used by the city fire department, and with adequate lengths of fire hose on each floor. An alarm system separate from the telephone system should be installed.

The paint shop and the carpenter shop should either be made fireproof or be removed from the building. Storage rooms should be equipped with metal shelves as far as possible, and each member of the custodian's staff should be assigned a definite responsibility in case of fire. An adequate number of fire hydrants should be strategically located upon the capitol grounds. It would also be desirable to request the board of fire underwriters of the Pacific to conduct a survey of the fire defenses of the capitol buildings.

Mail Services: The custodian of the state capitol is nominally responsible for the operation of the capitol's mail services. As mentioned previously, however, both the postmaster and the assistant postmaster are appointed by the state board of examiners and approved by the federal postal authorities. Although they are employed by the state government, these employees consider that their chief responsibility is to the postal authorities. The capitol custodian exercises no supervision, whatsoever, over them. The only mail service performed by these



employees, other than those services involved in the normal operation of a very small postoffice, is that of picking up mail from the offices occupied by elected state officers. The volume of work in this office does not seem to be sufficient to justify expenditures for the services of more than one employe. It might even be possible, if the proper pressure were brought, to have a regular branch station of the Helena post office established in the state capitol.

The postmaster is a disabled war veteran and is appointed with the understanding that the work will be done by his wife. The state should not be placed in a position of paying one of its employes for services which he does not render. The appointment should be made to the person actually performing the duties of the position.

The mail would be better protected if the office were equipped with adequate mail slots and if the door leading into the "cage" were kept closed and locked.

#### Receipts and Expenditures:

Receipts: Although the office of the custodian is not a collection agency, state warrants in payment of rent and utility services charged to several agencies for quarters in the capitol buildings actually flow through this office. It is improbable that any advantage can accrue from such an arrangement, and the custodian should be relieved of any duties as a rent collector. The annual charges assessed against the several agencies are shown in the following tabulation:

<u>Agency</u>	<u>Annual Charge</u>
State board of health	\$ 1,320.00
Fish and game commission	1,200.00
State highway commission laboratory	1,110.00
State board of hail insurance	300.00
The teachers' retirement system of the state of Montana	240.00
Board of examiners for nurses	180.00
Livestock sanitary board	50.40

Expenditures: The expenditures of the office of the custodian of the state capitol for the fiscal year ended June 30, 1940, as shown by the 1941 legislative budget, are listed in the following tabulation:

<u>Object of Expenditure</u>	<u>Expended During Fiscal Year Ended June 30, 1940</u>
Operating expenses:	
Salaries	\$ 31,838.35
Office expenses	120.53
Telephone and telegraph	260.14
Freight, express, and drayage	4.00
Janitor supplies	960.94
Gardener supplies	80.58
Consumable furnishings	124.88
General supplies and expenses	450.26
Fuel	1,652.00*
Light and power	3,304.33
Water	883.42

\* This item is apparently understated, possibly because of improper classification. The fuel costs actually amounted to approximately \$3,000.





<u>Object of Expenditure</u>	<u>Expended During Fiscal Year Ended June 30, 1940</u>
Engine room supplies and expense	\$ 237.76
Official bonds	26.30
Industrial accident insurance	609.36
Boiler insurance	<u>9.44</u>
Total operating expenses	\$ <u>40,562.29</u>
Capital outlays:	
Machinery and appliances	\$ 190.00
Hand tools and petty equipment	270.98
Furniture and fixtures	<u>974.98</u>
Total capital outlays	\$ <u>1,435.96</u>
Repairs and replacements:	
Land and land improvements	\$ 285.35
Buildings and attached fixtures	2,731.54
Machinery and appliances	106.18
Hand tools and petty equipment	193.50
Furniture and fixtures	<u>159.92</u>
Total repairs and replacements	\$ <u>3,476.49</u>
Total expenditures	\$ <u><u>45,474.74</u></u>

#### Summary of Recommendations:

The recommendations expressed or implied in this report may be summarized as follows:

#### Recommendations Not Requiring Legislation

- \*(1) That a schedule of regular working hours for janitors (cleaners) be adopted and enforced; that a schedule of routine activities for each janitor be devised and adhered to; and that one of the janitors be placed in a position of supervisory authority during the janitors' working hours when the capitol custodian is not on duty.
- \*(2) That the supplies issued to individual janitors be placed under lock and key when not in use.
- \*(3) That the building occupied by the state highway commission be placed under the supervision of the custodian of the state capitol.
- \*(4) That drawings of the plans of the various capitol buildings, especially of the utility systems, and manufacturers' specifications for the operation of machinery, be made available in the office of the custodian.
- \*(5) That a system of work orders for repairs be inaugurated.
- \*(6) That the heating systems of the various buildings be inspected periodically for heat losses; and that careful control over ventilation in the various offices be exercised as a means of conserving the heat generated.
- \*(7) That feed water and steam flow in the heating plant be metered; that alkalinity tests of the water be made; and that an adequate log of all data necessary to effect the most efficient operation of the heating plant be maintained.



- \*(8) That periodic inspections be made to prevent the fruitless use of electricity.
- \*(9) That, as a means of protecting the mail more adequately, the postoffice be equipped with adequate mail slots and that the "cage" door be kept closed and locked.
- (10) That the custodian of the state capitol be relieved of his duties as a rent collector.
- \*(11) That plans be made to reduce the fire hazards now present in the capitol building and to increase the fire defenses for the building, including capital outlays when funds are available, as more specifically recommended in the text of this report.

Recommendations Requiring Legislative Action

- (12) That certain major repairs be made when and if funds which may be used for such purposes become available.

\* Approved by Governor's Committee on Reorganization and Economy and by the Governor.



STATE OF MONTANA

GOVERNOR'S COMMITTEE ON REORGANIZATION  
AND ECONOMY

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THE TEACHERS' RETIREMENT SYSTEM OF  
THE STATE OF MONTANA

(Report No. 33)

November 7, 1941

Prepared by  
Griffenhagen & Associates



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REPORT ON  
THE TEACHERS' RETIREMENT SYSTEM OF  
THE STATE OF MONTANA

Introduction:

The teachers' retirement system of the state of Montana was created with corporate powers and privileges in 1937. It assumed the assets and liabilities of a teachers' retirement system that had been established in 1915. The system was expanded, by the legislative assembly, in 1939 to include in its membership the teaching staff of the University of Montana. Although the system began operating in September 1937, no benefits under the new system were paid until June 1938.

The act creating the teachers' retirement system is modeled closely after those in force in several other states, but the lack of funds has prevented the system from operating according to the plan embodied in the act. While the administrative staff seems to be rendering effective service, it cannot be said that the system is financially sound.

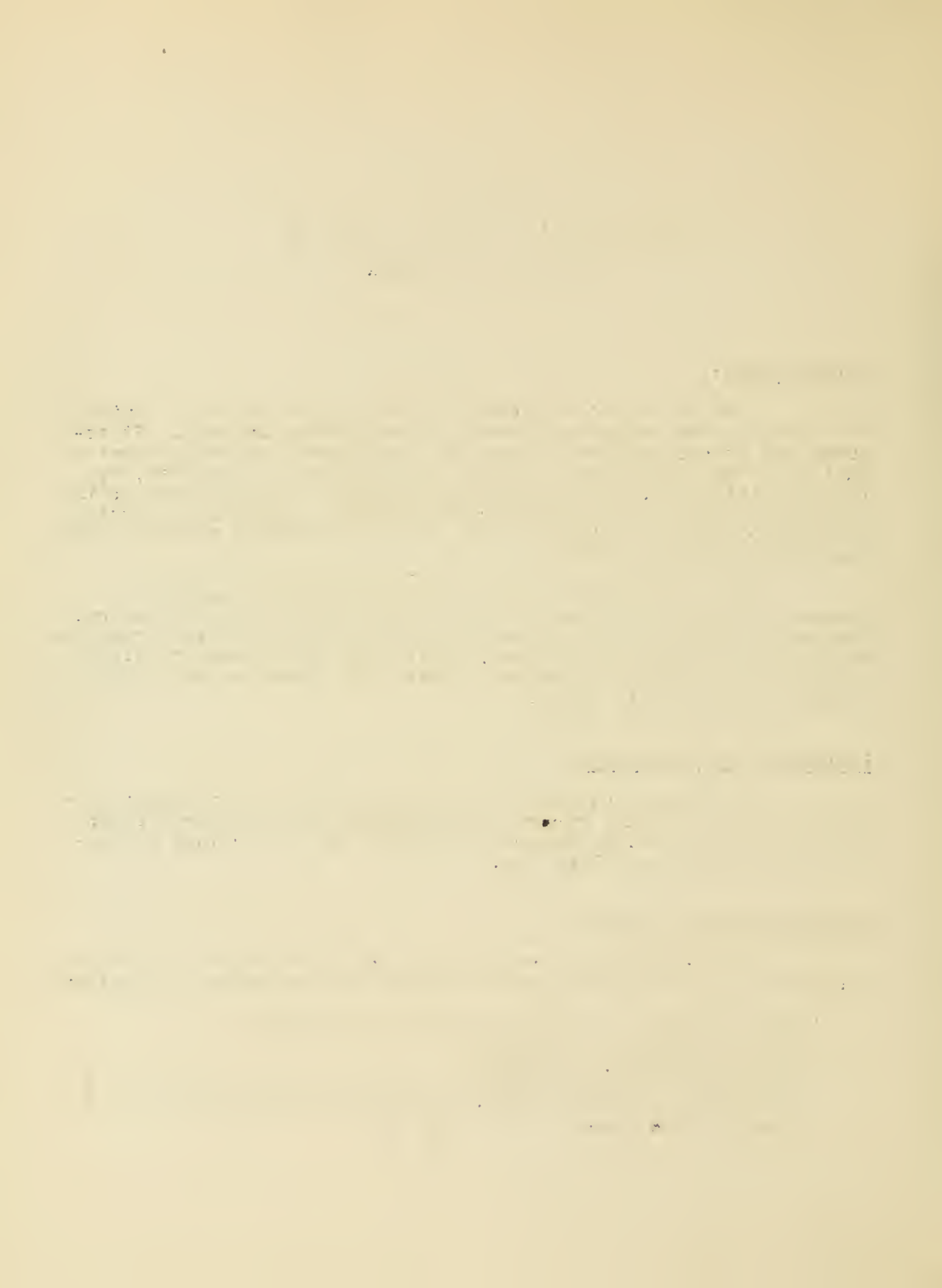
Functions and Activities:

The principal functions of the teachers' retirement system are to receive and record contributions to the various funds, to invest the funds, to determine benefits to be received by members, and to pay such benefits.

Organization and Staff:

General control over the teachers' retirement system is exercised by a retirement board composed of five members as follows:

Superintendent of public education, ex officio  
State treasurer, ex officio  
Attorney general, ex officio  
Two teachers who are members of the retirement system,  
selected by the state board of education for overlapping  
terms of two years



The administrative staff of the system is as follows:

<u>Title of Position</u>	<u>Annual Salary</u>
Executive secretary	\$2,400
Posting clerk	1,620
Stenographer	1,200
File clerk	1,080

In addition to these employes, the retirement board also retains an actuary at an annual fee of \$1,200.

A medical board is appointed by the retirement board to arrange for, and to pass upon, all applications for disability retirement. It is empowered to give annual examinations, for the first five years after retirement, to persons receiving disability benefits and every third year, thereafter, to determine whether or not disability beneficiaries have recovered from their disability. Physicians, other than members of the medical board, may also be employed to give examinations. A fee of \$3 is usually paid to the examining physician. Expenditures for this purpose amounted to only about \$15 in 1940-1941.

The law provides that the attorney general shall be the legal adviser of the retirement board.

#### Discontinuance of Former Retirement System:

At the time the former retirement system was discontinued there were 230 teachers who were receiving benefit payments of varying amounts under different provisions of the former retirement law. The assets of the former system were valued at \$179,305.77. These assets were all transferred to the pension accumulation fund of the new retirement system which assumed certain obligations for paying benefits to the annuitants of the old system.

It was provided that the entire amount of the assets transferred from the former system to the new system should be used to pay annuities to persons retired under the old system. The amounts of annuities to each person are determined on the basis of the contributions of the individual under the previous system. In addition to the annuity payments, the new system assumed the responsibility of providing pension allowances sufficient to make the annuity plus the pension equal \$50 a month for the person who had served as a teacher for 35 years. For those serving less than 35 years, the annuity plus the pension bears the same proportion to \$50 a month as the number of years actually taught bears to 35.

#### Membership:

The membership in the present teachers' retirement system since its establishment may be shown as follows:



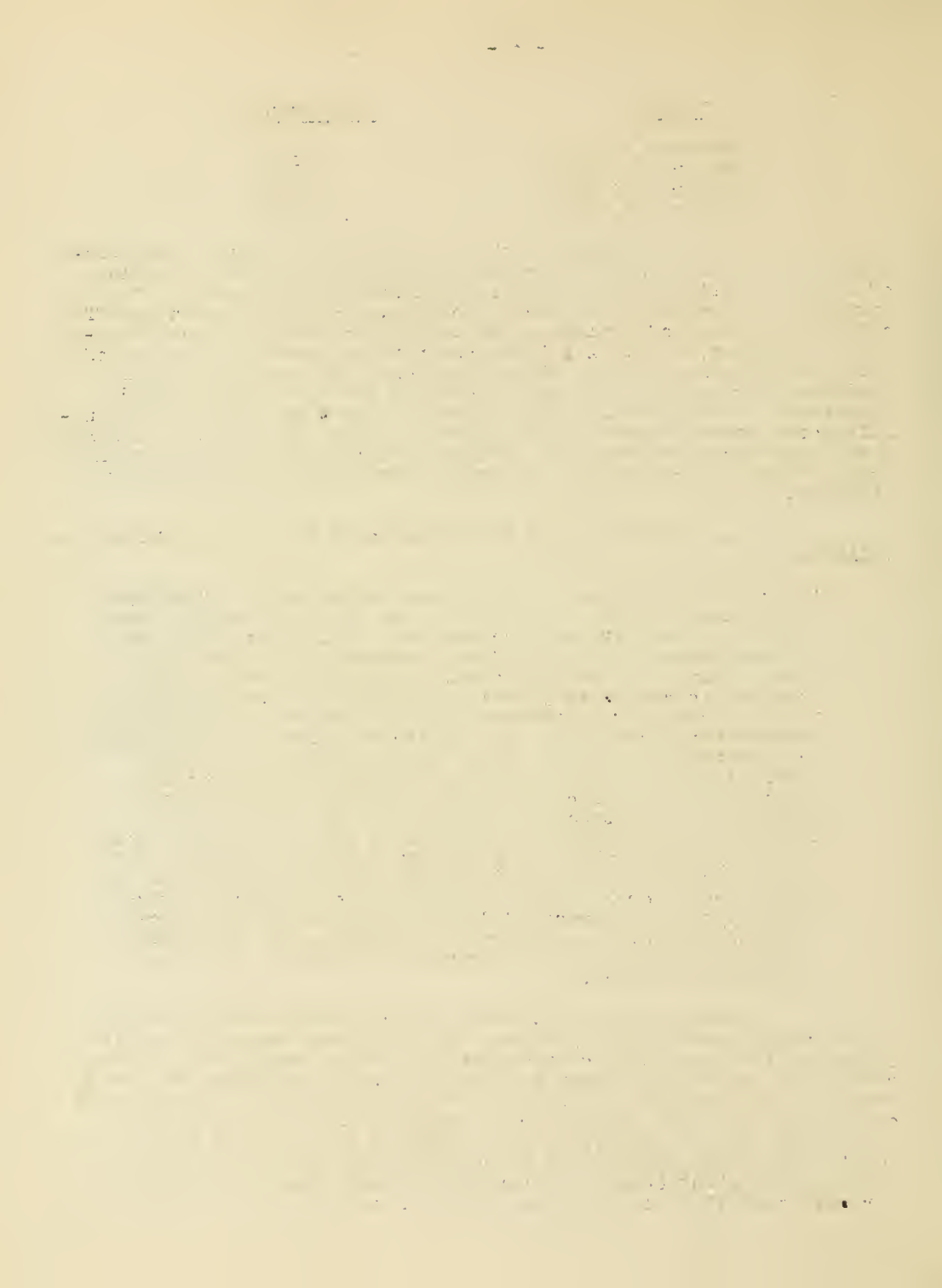
<u>Date</u>	<u>Membership</u>
November 1, 1937	3,401
November 1, 1938	4,459
November 1, 1939	5,131
November 1, 1940	5,347

The law establishing the teachers' retirement system provides that all persons who become teachers in the public schools of the state after September 1, 1937, must become members of the system as a condition of their employment. For the teaching staff of the University of Montana the date of compulsory membership began September 1, 1939. All teachers in the service at the time of the establishment of the system, and those of the University of Montana at the time it became effective for them, were required to become members unless they signed a waiver of all claims to benefits for prior service credit under the terms of the act. Teachers who signed such waivers are permitted to join at any time, but they are entitled to no credit for prior service and must join as new teachers.

The term "teacher" for purposes of this act is defined as follows:

"'Teacher' shall mean any teacher in the public elementary and high schools of the State, and the University of Montana, as constituted in accordance with Section 852, Revised Codes of Montana, 1935, including all kindergarten teachers in the public schools, and shall include any school librarian or physical training teacher, principal, vice principal, supervisor, superintendent, county superintendent of schools, and any other member of the teaching or professional staff of any public elementary or high school of this State, and any administrative officer or member of the instructional or scientific staff of the University of Montana; provided that no person shall be deemed a teacher within the meaning of this act who is not so employed for full time outside vacation periods. The word 'teacher' shall also include any person employed in the office of or by the superintendent of public instruction in the performance of duties pertaining to instructional services. In all cases of doubt, the retirement board shall determine whether any person is a teacher as defined in this act."

Teachers in the service the year immediately preceding the establishment of the system, and who became members the first year of its operation, received prior service credit for service rendered before the system was established. This prior service credit could include up to 10 years of employment as a teacher in other states. The prior service privilege was also extended to the staff of the University of Montana at the time its members were admitted to the system with the additional privilege of making a lump sum contribution to the annuity savings fund to cover the period from 1937 to 1939 when they were not eligible for membership.





The retirement board adopted rules governing the manner by which teachers were required to establish their past records as teachers. After verifying the statements of service prior to the establishment of the system, prior service certificates were issued to the teachers. These are final and conclusive for purposes of determining allowances due at the time of retirement. Prior service certificates become void when the teacher is no longer a member of the system.

Membership ceases when a teacher becomes a beneficiary, dies, or withdraws his contributions upon leaving the teaching profession. If a teacher is out of the service for three consecutive years or renders less than five years of service during any period of ten consecutive years, he ceases to be a member of the teachers' retirement system.

#### Benefits:

Age of Retirement: Any member who has attained the age of 60 years may retire upon making proper application provided that he has been a teacher for 15 years and that the last ten years of service have been in the state of Montana. No proof of disability or dependency is required, and the retirement board has no power to deprive him of his right to retire. Retirement is compulsory at the age of 70 years.

In general, compulsory retirement at a certain age is a desirable feature of a retirement system, but there is some advantage in a plan that provides a certain degree of flexibility. Occasionally, college professors and other teachers have attained the age of 70 and are still doing outstanding work. In order not to work an undue hardship in cases of this kind, it would seem reasonable to amend the compulsory age requirement to authorize the retirement board to grant exemptions of one year each for a period of five years. However, the retirement board should adopt a policy of allowing such exemptions only when it has been proved that the service would definitely be benefited and that the request is not based on the desire of an employer to continue the regular salary of an old teacher.

Allowance for Service Retirement: Upon retirement of a member, he receives a service retirement allowance consisting of:

An annuity which is the actuarial equivalent of his accumulated contributions.

An annual pension of one-fourth of his average annual compensation for the last ten years provided his creditable service is at least 35 years, otherwise, a pension of one one-hundred fortieth of his average compensation for the last ten years multiplied by the number of years of his creditable service.



If he has a prior service certificate, an additional annual pension of one one-hundred fortieth of his average compensation for the last ten years multiplied by the number of years of prior service credit.

At present, due to lack of funds, the system is able to pay only 58 percent of the pension and prior service allowances due retired teachers.

During the first 25 to 30 years the largest benefits will be paid out on account of the prior service certificates. All retirement systems that recognize prior service assume a heavy financial burden, and usually this burden is made the sole responsibility of the employer. The state, under the terms of the Montana teachers' retirement act, is required to pay the entire amount of the pensions due on account of prior service.

Disability Retirement: In order to be eligible for disability retirement, a teacher must have been in the service for ten years. The medical board after an examination of the applicant must certify that because of physical or mental disability the person is unable to teach and that the disability is likely to be of a permanent nature. The retirement board has the right to have the person on disability retirement examined annually for the first five years and once every three years thereafter to verify the nature of the disability.

The annuity paid the employe for disability retirement is the actuarial equivalent of his annuity contributions. The pension allowance plus his annuity is equal to 90 percent of one-seventieth of his average compensation for the last ten years multiplied by the number of years of his creditable service. If this does not equal one-fourth of his average compensation for the last ten years, his pension is increased to provide an amount that, when added to his annuity benefit, will equal one-fourth of his average compensation for the last ten years. In no case, however, must his total benefit exceed 90 percent of one-seventieth of his average compensation for the last ten years multiplied by the number of years that would be creditable to him provided he remained in the service until the attainment of his minimum age for service retirement.

Death Benefit: If a member dies before retirement, all of his accumulated contributions with compound interest plus three-fourths of the earned interest during the current year are payable to his designated beneficiary or his legal representative. No payment is made from the state's contribution.

Withdrawal of Deposits: If a member leaves the service for any reason other than death or retirement, his contributions, together with interest compounded annually plus three-fourths of the earned interest during the current year, are returned to him.

Optional Provisions: Optional selection of the method of receiving benefits is permitted the member at the time of his retirement. These options are as follows:



- (1) A member may elect to receive his benefits in a retirement allowance payable throughout life, and at death, if his benefit payments have not equaled his accumulated contributions at the time of his retirement, the balance is payable to some person designated by him.
- (2) A member may choose to receive a reduced retirement allowance in order that the same benefit he receives may be payable to his beneficiary after his death, should such person survive him.
- (3) A member may elect a reduced retirement allowance to continue, throughout his life, with one half of that amount to be continued throughout the life of such person as he designates.
- (4) Other benefit or benefits may be arranged if the benefit selected and the reduced retirement allowance is certified by the actuary to be of equivalent actuarial value to the retirement allowance provided in the other options and is approved by the retirement board.

Purchase of Additional Annuities: Any member, with the approval of the retirement board, may redeposit in a single payment or by an increased rate of contribution any money which he has withdrawn. In addition, any member may purchase an additional annuity by a single payment or an increased rate of contribution. However, the amount which may be deposited in this manner is limited. No person may make deposits if his prospective total retirement allowance from his annuity and pension will exceed one half his average compensation for the ten years immediately preceding his regular retirement age of 60 years. The amounts deposited in this manner are treated the same as if they were regular annuity contributions, and interest is compounded annually. However, the amounts are disregarded in determining the pension allowances due a member at the time of retirement.

During the years in which the system has been operating, no one has taken advantage of this plan.

#### Contributions to the System:

Contributions of Teachers: Teachers who are members of the teachers' retirement system are required to pay to the system five percent of the salaries they receive. The maximum salary on which contributions may be made or used for purposes of determining retirement benefits is \$2,000 a year. The rate is specifically provided by law and cannot be changed except by statutory amendment. The contributions of the employees must be deducted by the employer from each and every payroll. A member who reaches the age of 60 and continues to teach is not required to make any additional contributions to the system.

The teachers are also required to pay a membership fee of one dollar a year to be used to help defray the administrative costs of operating the system.





Contributions by the State: The act establishing the teachers' retirement system provides, in effect, two methods by which the state is to contribute to the system for the payment of pensions. The state, in addition, must contribute a certain amount each year to supplement the teachers' contributions in defraying the administrative cost of the system.

The first of the methods of contributing to the payment of pensions provides for allocation of money by the state to create reserve funds, and the second is a substitute procedure of providing direct appropriation for pension payments until such time as the reserve funds may be created.

The law provides that the state's contributions to the pension accumulation fund is to be divided into two parts. The first part of the contribution is known as the normal contribution. It is made on the basis of that percentage of the total teacher compensation in the state that will be necessary to provide the pension payment earned by the teachers after they become members of the system. The actuary estimates that this rate should be about 2.75 percent which would require approximately \$150,000 a year.

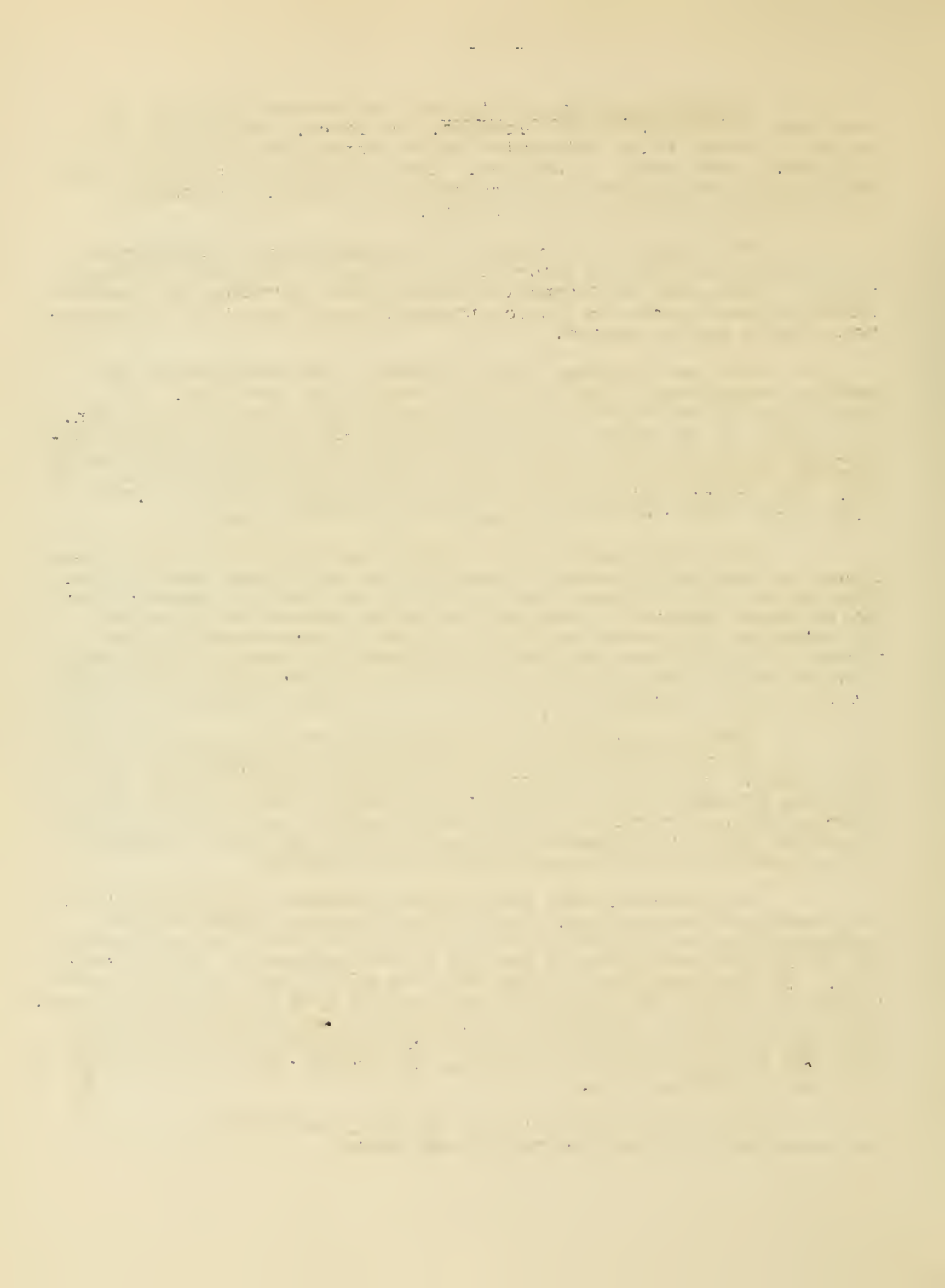
The second part of the state's contribution to the reserve funds for pension payments is known as the deficiency contribution. This is the contribution which the state must make in order to meet the pension payments of persons with prior service certificates. The rate for this contribution is computed after determining the amount of liabilities for pension payments as a result of the prior service certificates issued. This rate has never been determined, but it would be somewhat in excess of the normal contribution rate.

Both the normal and the deficiency contributions are set after the actuary has made an evaluation of the system. The act is not clear as to who has the power to determine these rates. Apparently it must be the legislative assembly, because a direct state appropriation is required to make the payments. All the retirement board can do is to recommend the rate to the legislative assembly on the basis of the facts presented by the actuary.

The reserve funds for pension payments, as provided in the act, have not been created. During the biennium 1937-1939, the appropriation was \$75,000 for each fiscal year from the net proceeds of the liquor control board for the direct payment of pension benefits. An appropriation of \$100,000, for each fiscal year of the biennium 1939-1941, was made from the general fund for the same purpose. During the current biennium an appropriation of \$100,000 was made for each fiscal year to be used for pension payments. This appropriation is large enough to pay only 58 percent of the total pensions due the retired teachers.

The state's contribution to defray administrative costs has amounted to \$4,000 for each fiscal year.





Contributions by School Districts and Institutions: The allowances provided by the pension benefits are actually deferred salary payments to the teachers, and as such constitute a part of the cost of the educational system of the state. The present retirement system provides that all pension payments shall be made from funds contributed by the state and that there shall be no contributions by the school districts or institutions that are the real employers of the teachers. This procedure is unsatisfactory.

Since the pension payments are in effect an additional salary payment to the teachers of the various districts and institutions, these should be shown as a cost of operating each such unit. It is, therefore, recommended that the districts and institutions be assessed for the employers' contribution, rather than continue payment of the employer's share by the state.

Under such a plan a very practical procedure for collecting employers' contributions is to deduct the amount before distributing state aid to the schools, but the charge would be against each district instead of against the state in general.

Method of Collecting Employes' Contributions: The statutes provide that members' contributions shall be collected as follows:

- "(a) Each employer shall cause to be deducted on each and every payroll of a member for each and every payroll period subsequent to the first day of September, 1937, the contribution payable by such member as provided in this act.
- "(b) Each employer shall transmit monthly a warrant for the total amount of such deduction to the secretary of the retirement board. The secretary of the retirement board after making records of all such warrants shall transmit them to the state treasurer who shall collect the same.
- "(c) Notwithstanding the foregoing, nothing in this section shall prevent the retirement board from modifying the method of collecting the contributions of members so that employers may retain the amount so deducted and have a corresponding amount deducted from state funds otherwise payable to them."

It has been the policy of the board to collect the contributions as outlined in paragraph (b) of the foregoing section of the statutes. That is, each month the school districts transmit to the retirement system the amounts deducted from the teachers' salaries for the month. This means that the contributions of members must be posted monthly to their accounts. Now that the membership of the system has increased to nearly 5,400, there is a tremendous posting job in keeping the records of members.

This posting burden may be materially reduced by taking advantage of the statutory authorization for deduction of the employes' contributions from the state funds to be distributed to the various counties for school purposes. This deduction should



be made once a year and the entire amount for the year paid to the teachers' retirement system at that time. If this deduction were made at the middle of the school year the retirement system would not lose from a reduction of interest on the teachers' contributions collected during the year. No interest would be earned during the first half of the fiscal year, but during the last half of the year all of the money would be available for investment. Under this plan adjustments would have to be made at the end of the school year for any teachers who left their jobs and for any new teachers added after the contributions were deducted.

By eliminating the monthly posting of members' contributions, it is estimated that at least one position in the administrative staff could be discontinued and possibly another one could be made seasonal rather than continuing through the entire year. The problem of investing funds would be simplified because all of the money would be available for investment at one time instead of in small amounts, each month, throughout the year.

Funds:

Annuity Savings Fund: The annuity savings fund is the fund to which are credited the contributions made by members and the interest allowed on the members' accounts. The amounts in this fund, each year since the system was established, have been as follows:

<u>Date</u>	<u>Amount</u>
June 30, 1938	\$198,367.76
June 30, 1939	427,824.15
June 30, 1940	683,738.02
June 30, 1941	942,072.23

At the time a member retires, the amounts which he has accumulated in this fund from his contributions and interest credits are transferred to the annuity reserve fund. Refunds of contributions because of death or withdrawal from the service are made directly from the annuity savings fund. The liabilities of this fund are exactly equal to the amounts which have been credited to members' accounts from their contributions and compound interest on their contributions.

The interest rates allowed on the contributions of members are determined by the retirement board in accordance with the following provision of the statutes:

"The retirement board annually shall allow regular interest on the average amount for the preceding year in each fund with the exception of the expense fund. The amounts so allowed shall be due and payable to said funds and shall be annually credited thereto by the retirement board from interest and other earnings on the moneys of the retirement system. Any additional amount required to meet the interest



on the funds of the retirement system shall be paid by the state during the ensuing year and any excess of earnings over such amount required shall be deductible from the amounts to be contributed by the state during the ensuing year. Regular interest shall mean such per centum rate to be compounded annually as shall be determined by the retirement board on the basis of the interest earnings of the system for the preceding year and of the probable earnings to be made, in the judgment of the board, during the immediate future."

The rate of interest allowed on the annuity savings accounts has been three percent in each year that interest has been credited. The actual rate of interest earned in 1939-1940 was 3.3 percent. It is estimated that a similar amount was earned during 1940-1941, but the definite rate has not been determined as yet. The rate of earnings is a highly important factor in the administration of the system and should be ascertained as soon as possible after the close of the fiscal year.

The retirement board has been determining at its fall meeting the interest rate that is to be allowed during the then current year. Such a procedure is authorized by law, but it would seem desirable to set this rate near the close of the fiscal year. If the interest rate were set at this later date, it could be the exact rate earned during the year instead of an estimate. There is no reason for the system to make a profit in investing the annuity savings funds of teachers. The teachers are entitled to receive credit for the interest earned from the investment of their contributions. It is recommended that the retirement board set the interest rate allowable on annuity savings accounts near the close of the fiscal year in which the interest is earned, and that the teachers be given full credit for all earning on their contributions.

Annuity Reserve Fund: When a member retires, the amount of his accumulated contributions is transferred to the annuity reserve fund, and his annuity allowances are payable from such fund. The amounts in this fund each year of the operation of the system have been as follows:

<u>Date</u>	<u>Amount</u>
June 30, 1939	\$3,038.92
June 30, 1940	3,217.24
June 30, 1941	7,585.18

Since no retirements were allowed the first year of operation, there were no credits to this fund as of June 30, 1938.

The operation of the annuity reserve fund reflects the actual experience of the system in relation to the estimates of probable experience on the basis of mortality tables. On the basis of the age of the beneficiary, the option chosen, and the amount credited to him, certain benefit payments are allowed. If a person receiving benefits dies before the estimated time for his death,







his estate receives the unpaid balance. However, if persons receiving benefits live longer than estimated, there will be a deficit in the fund. It is the duty of the actuary to estimate the average length of life of beneficiaries.

Since the system has been in operation for only a short time, there is not sufficient experience to make a valid check of this fund. For the first two years there was a deficit in the fund, but the number of retired teachers was so small as to make the deficit meaningless.

Pension Accumulation Fund: The pension accumulation fund is the fund to which the contributions made by the state should be credited, both for current and accrued liability. The interest earned on the state's contributions should also be credited to this fund. When a member who has a prior service certificate retires, his pension must be paid from this fund. When a member, without prior service, retires, the funds accumulated to pay his pension should be transferred from this fund to the pension reserve fund.

Since the state has never made the contributions to the reserves for pensions as contemplated in the act creating the retirement system, the only money in this fund is that transferred from the old retirement system. The cash balances in this fund at the end of the last four fiscal years were as follows:

<u>Date</u>	<u>Amount</u>
June 30, 1938	\$141,755.20
June 30, 1939	163,742.56
June 30, 1940	168,803.36
June 30, 1941	160,477.40

It is to be noted that these are cash and investment balances and do not include any accrued revenues of the fund. During the first two fiscal years, pension payments were made from this fund pending the receipt of money due the system from the liquor control board. Actually the amount in the pension accumulation fund is gradually being depleted as the obligations of the old retirement system are being liquidated.

In order to operate the retirement system according to the plan embodied in the law creating the system, the assets of this fund should be the largest of any of the funds. This fund must provide enough money to pay pensions to all retired persons, and as long as prior service certificates are in effect the pension payments will be greatly in excess of the benefits allowed on the annuities provided by the members' own contributions.

The liabilities of this fund for prior service credits, as shown in the report of the teachers' retirement system as of June 30, 1938, were \$5,136,546.77. In addition, the disability benefit liabilities were estimated to be \$296,580.23, and the liability of the fund for pensions for those teachers who had been retired at that time was estimated to be \$985,444.31. Thus, the



total liabilities of the pension accumulation fund for these three items were \$6,418,571.31. If reserves were being provided as contemplated in the teachers' retirement act, this liability would be liquidated over a period of 25 years.

The exact rate of contribution required to provide full reserves for the pension accumulation fund over the 25-year period specified in the law is not known. If interest earnings are disregarded approximately \$250,000 should be contributed by the state each year to liquidate the prior service liabilities. This, plus the \$150,000 required to provide reserves for the pensions being earned by teachers who are now employed, makes a total yearly contribution by the state of about \$400,000. While this amount is in excess of that required if reserves were being provided as planned in the law, it does indicate the amount needed to make the system solvent.

At the end of the current biennium the state will have contributed \$550,000 to the pension accumulation fund whereas the contributions should have amounted to about \$2,400,000. In other words, nothing has been contributed toward the liquidation of prior service liabilities and the contributions made have been \$350,000 short in meeting liabilities currently accruing.

Of course, these are estimates and are made only to indicate the seriousness of the situation. It is important, however, that the teachers' retirement system determine the exact deficiency in this fund and inform the legislative assembly and the responsible state officials of the condition of the system. The members of the system should also know the extent of the insolvency of the system and what that means in terms of the benefits they may expect to receive at the time of retirement.

At the present time the system is able to pay benefits at the rate of only 58 percent of the amount due the retired members as determined on the basis of the allowance provisions of the teachers' retirement act. Unless substantial increases are made in the appropriations in subsequent bienniums this rate will be greatly reduced. In ten years, the teachers can expect only a very small pension unless a great deal more money is provided from some source.

It is recommended that the plan of providing appropriations for the direct payment of benefits be discontinued and that the state's contribution be placed in the pension accumulation fund. The percentage of benefit payments should be in the same proportion to the total allowances as the contributions to the pension accumulation fund are to the total amount required to provide full reserves for the system.

Pension Reserve Fund: When a member who has no prior service credit retires, the amount that has been accumulated in the pension accumulation fund for his benefit is transferred to the pension reserve fund. No members without prior service have been retired and, hence, no money has been credited to this fund.



Expense Fund: The expense fund is the fund to which is credited all money to be expended for the administration of the system. The only amounts credited to this fund have been the collections from the one dollar fee assessed each year against all members of the system to defray administrative costs. The state appropriation for operating expenses is not paid out of the general fund until actually expended by the retirement system and then directly for the service or commodity acquired.

Examination of System to Determine Financial Condition: The assets and liabilities of the teachers' retirement system are not now subjected to an examination similar to that made of banks and private insurance companies. The state examiner does, however, make an examination similar to that for other state agencies. Since the system is carrying on activities closely related to those of insurance companies, it is recommended that the authorities of the state who examine private insurance companies also make similar examinations of the teachers' retirement system.

Investments:

Investment Procedure: The retirement board has delegated the function of investing funds to a committee composed of the attorney general and the two teacher members of the board. This committee depends largely on the recommendations of the executive secretary.

The attorney general should be in a position to have knowledge of sound investment opportunities, but it is doubted that the teacher members of the board have access to information that enables them to pass judgment on investment matters.

The commissioner of state lands and investments has as one of his major functions the investment of state funds. It would be well for the executive secretary to spend less time in investing the funds of the system and to make use of the department of state lands and investments as much as possible for information regarding investments.

Securities Held: The bonds held by the teachers' retirement system, as of September 30, 1941, were as follows:

<u>Issuing Agency</u>	<u>Par Value</u>	<u>Interest Rate (Percent)</u>
Belgrade, Montana high school district	\$10,000	2.75
Cascade county, school district No. 1	32,500	3.00
Fallon county (refunding bonds)	30,000	4.00
Flathead county, school district No. 44	35,048	3.375
Liberty county, school district No. 33	24,500	4.00
Lincoln county, school district No. 4	17,500	3.00
Lincoln county (serial bridge bonds)	12,000	2.50
State of Montana (funding bonds of 1933)	54,000	4.00

The first part of the paper discusses the importance of the study of the history of the United States. It is pointed out that the study of history is not only a means of understanding the past, but also a means of understanding the present and the future. The author argues that the study of history is essential for the development of a nation and for the progress of the world.

The second part of the paper discusses the importance of the study of the history of the United States. It is pointed out that the study of history is not only a means of understanding the past, but also a means of understanding the present and the future. The author argues that the study of history is essential for the development of a nation and for the progress of the world.

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<u>Issuing Agency</u>	<u>Par Value</u>	<u>Interest Rate (Percent)</u>
State of Montana (insane asylum revenue bonds)	\$252,000	4.00
Eastern Montana normal school (revenue bonds)	29,000	4.00
Montana state board of education (college student union building bonds)	10,000	4.00
Roosevelt county, school district No. 16	5,000	6.00
Rosebud county (refunding bonds)	25,000	4.75
Sweet Grass county, school district No. 38	75	6.00
Yellowstone county, school district No. 2	80,000	2.75
Teton county, school district No. 64	218.40	6.00
United States treasury (registered)	150,000	-
United States treasury (savings)	22,500	-
United States treasury (series F)	49,950	
	<u>\$839,291.40</u>	

The county warrants held by the teachers' retirement system, as of September 30, 1941, amounted to \$192,253.61.

#### Receipts and Expenditures:

The receipts of the teachers' retirement system for the fiscal year 1940-1941 were as follows:

<u>Source</u>	<u>Amount</u>
Contributions of teachers to annuity savings account	\$310,725.28
Contributions of teachers to expense account	4,803.50
Collection of old accounts	490.06
Interest received	35,255.18
Total receipts	<u>\$351,274.02</u>

The legislative assembly appropriated \$4,000 from the general fund for the administrative costs of operating the system during the fiscal year 1940-1941, and this same amount is provided for each of the fiscal years in the current biennium.

The expenditures of the teachers' retirement system during the fiscal year 1940-1941 were as follows:

<u>Class of Expenditures</u>	<u>Amount</u>
Pension payments	\$118,690.44
Annuity payments	737.89
Operating expenses	10,155.98
Withdrawals	68,562.67
Total expenditures	<u>\$198,146.98</u>



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Value and Cost of Services Rendered:

There are certain advantages to be gained by the state and by the teachers from the operation of a teachers' retirement system. However, these benefits cannot be secured unless sufficient funds are provided to meet the obligations being incurred by the system. Nothing can be gained by avoiding the inevitable collapse of an insolvent retirement system. A decision should be made at the next session of the legislative assembly as to the future of the existing system.

In general the teachers' retirement law now in effect is sound except that the benefit allowances are greatly in excess of the amount that has been provided to pay them. More money must be secured or the benefit allowance provision must be drastically reduced.

Perhaps the best solution to the teachers' retirement problem in Montana is to be found in the proposals to extend the provisions of the federal social security act to include governmental employes. If this is done, the state system probably should be discontinued, and the annuity savings fund returned to the contributors.



Summary of Recommendations:

The recommendations expressed or implied in this report may be summarized as follows:

Recommendations Not Requiring Legislation:

- (1) That, in the interests of economy, the employees' contributions that are now remitted monthly by each school district be deducted once a year from state funds that are distributed to school districts; and that such deductions be paid directly to the teachers' retirement system once a year.
- (2) That, in the interests of economy and also for the benefit of the teachers, the retirement board set the interest rates to be allowed on the annuity savings accounts at the end of the fiscal year when the exact earnings can be closely estimated; and that the teachers be given full credit for the actual interest earned by the funds.
- (3) That, for purposes of furnishing the legislative assembly and the people of the state with accurate information as to the condition of the teachers' retirement system, the retirement board determine the exact deficiency in the pension accumulation fund and the amount needed for each of the next 25 years to liquidate such deficit.
- (4) That, in fairness to the teachers, the retirement board notify the teachers of the extent of the insolvency of the system and what that means in terms of the benefits they may expect to receive at the time of retirement.
- (5) That, for purposes of providing a check on the operation of the retirement system, the authorities of the state who examine private insurance companies also make similar examinations of the teachers' retirement system.
- (6) That, in the interests of economy, the retirement board make extensive use of the department of state lands and investments in securing information regarding investments.

Recommendations Requiring Legislation:

- (7) That the retirement board be authorized to grant, upon the application of a teacher's employer, exemptions of one year each for a period of five years to such teacher enabling him to continue teaching after reaching the age of 70 years.
- (8) That the school districts and institutions be assessed for the employers' contribution to the teachers' retirement system.

CHAPTER I. OF THE ORIGIN AND EARLY HISTORY OF THE NATION.

THE FIRST SETTLEMENTS IN AMERICA.

THE first settlements in America were made by the Spaniards, who discovered the continent in 1492. They found the Indians in a state of nature, and they taught them the arts and sciences of Europe. The Spaniards also introduced the Christian religion into America, and they built churches and monasteries. The Indians were very fond of the Spaniards, and they loved to learn from them. The Spaniards were very kind to the Indians, and they treated them as equals. The Indians were very happy, and they lived in peace and harmony with the Spaniards.

The Spaniards also discovered the gold and silver mines of America, and they began to mine for them. They found that the Indians were very rich in gold and silver, and they wanted to have some of it. They took the Indians to the mines, and they made them work for them. The Indians were very poor, and they had no money. They were forced to work for the Spaniards, and they received no pay. The Spaniards were very greedy, and they wanted to have all the gold and silver for themselves. They did not care for the Indians, and they treated them very badly. The Indians were very sad, and they did not like the Spaniards any more.

The Spaniards also discovered the great cities of America, and they began to build cities of their own. They found that the Indians had built great cities, and they wanted to have some of them. They took the Indians to the cities, and they made them work for them. The Indians were very poor, and they had no money. They were forced to work for the Spaniards, and they received no pay. The Spaniards were very greedy, and they wanted to have all the gold and silver for themselves. They did not care for the Indians, and they treated them very badly. The Indians were very sad, and they did not like the Spaniards any more.

The Spaniards also discovered the great rivers of America, and they began to build cities along them. They found that the Indians had built great cities, and they wanted to have some of them. They took the Indians to the cities, and they made them work for them. The Indians were very poor, and they had no money. They were forced to work for the Spaniards, and they received no pay. The Spaniards were very greedy, and they wanted to have all the gold and silver for themselves. They did not care for the Indians, and they treated them very badly. The Indians were very sad, and they did not like the Spaniards any more.

The Spaniards also discovered the great mountains of America, and they began to build cities on them. They found that the Indians had built great cities, and they wanted to have some of them. They took the Indians to the cities, and they made them work for them. The Indians were very poor, and they had no money. They were forced to work for the Spaniards, and they received no pay. The Spaniards were very greedy, and they wanted to have all the gold and silver for themselves. They did not care for the Indians, and they treated them very badly. The Indians were very sad, and they did not like the Spaniards any more.

The Spaniards also discovered the great plains of America, and they began to build cities in them. They found that the Indians had built great cities, and they wanted to have some of them. They took the Indians to the cities, and they made them work for them. The Indians were very poor, and they had no money. They were forced to work for the Spaniards, and they received no pay. The Spaniards were very greedy, and they wanted to have all the gold and silver for themselves. They did not care for the Indians, and they treated them very badly. The Indians were very sad, and they did not like the Spaniards any more.

THE SECOND SETTLEMENTS IN AMERICA.

The second settlements in America were made by the French, who discovered the continent in 1604. They found the Indians in a state of nature, and they taught them the arts and sciences of Europe. The French also introduced the Christian religion into America, and they built churches and monasteries. The Indians were very fond of the French, and they loved to learn from them. The French were very kind to the Indians, and they treated them as equals. The Indians were very happy, and they lived in peace and harmony with the French.

The French also discovered the gold and silver mines of America, and they began to mine for them. They found that the Indians were very rich in gold and silver, and they wanted to have some of it. They took the Indians to the mines, and they made them work for them. The Indians were very poor, and they had no money. They were forced to work for the French, and they received no pay. The French were very greedy, and they wanted to have all the gold and silver for themselves. They did not care for the Indians, and they treated them very badly. The Indians were very sad, and they did not like the French any more.

- (9) That the next session of the legislative assembly decide what benefits are to be paid retired teachers; and that the employers' contribution be made large enough to create reserves to pay whatever benefits are granted.
- (10) That, whatever the appropriation that is provided by the legislative assembly, the amount be placed in the pension accumulation fund; and that the percentage of benefit payments be in the same proportion to the total allowances as the contributions to the pension accumulation fund are to the total amount required to provide full reserves for the system.





STATE OF MONTANA

GOVERNOR'S COMMITTEE ON REORGANIZATION  
AND ECONOMY

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STATE LIBRARY

(Report No. 7)

September 9, 1941

Prepared by  
GRIFFENHAGEN & ASSOCIATES



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## REPORT ON STATE LIBRARY

### Introduction:

The state library, according to the statutes, consists of all of the books, pamphlets, papers, maps, charts, manuscripts, paintings, engravings, and other property belonging to the state in the Montana library. The statutes provide that the library shall comprise two separate departments. The first department is the law library, located on the third floor of the capitol, and the second department is the historical and miscellaneous library, located on the first floor of the capitol. However, each of these so-called departments is established as an independent state agency, and there is no provision for any joint activities as a state library. In spite of the fact that the statutes contain a definition of the state library, such an agency does not actually exist as a distinct unit.

The law library is governed by a board of trustees created in its present form by the legislature in 1895. The beginning of the library, however, can be traced back to 1870.

The historical and miscellaneous library is administered by a board known as the historical society of Montana, and in 1923 the legislature made the legal name of the library identical with that of the society. The first historical society of Montana was a corporate body established by the territorial legislature in 1865. At the present time, however, the society seems to be nothing but the governing board of the library.

### Law Library:

Functions and Activities of the Law Library: The principal function of the law library is to collect information regarding legal subjects and to make such materials as are collected available to all persons desiring to use them. Only in exceptional cases, however, may books or other documents be taken from the library by anyone except judges or state officials. The judges of the supreme court and the staff of the attorney general's office use the library more than any other groups.

The estimated number of volumes in the library, as of November 30, 1940, was 72,361, of which 1,843 books were accessioned during the period from November 30, 1938, to November 30, 1940. The accessions include 89 volumes of law journals and briefs bound in 1939. With the exception of these bound journals and briefs, the library received from gifts and exchanges 865 volumes and purchased 889. As of November 30, 1940, the library subscribed to 48 legal and quasi-legal periodicals.

The law library is also charged, by the statutes, with the responsibility of establishing and conducting a legislative reference bureau. The principal activity of this bureau is to gather and make available the important legislation of other states. Reports relating to the operation of the agencies of other states are also collected, but the number of these documents is not large. The legislative reference bureau does not engage in any research for the legislature between sessions and does not carry on an active program of drafting legislation.

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## Historical Society of Montana:

Functions and Activities of the Historical Society of Montana: The principal function of the historical society is the operation of the historical and miscellaneous library of the state. This library consists of about 38,000 bound volumes of books and a large collection of newspapers, manuscripts, maps, pictures, and other historical documents and relics. The books are largely of a historical nature, and only a small number of general reference books are included in the collection. Only on rare occasions are persons allowed to take books or other materials from the library.

Only small increases are being made in the number of books and other documents. During the year 1939-1940 the accessions were as follows:

<u>Type of Document or Subject of Book</u>	<u>Number</u>
General works, newspapers, periodicals, etc.	179
Religion and philosophy	20
Sociology	85
Philology	3
Natural science	10
Useful arts	29
Fine arts	8
Literature	14
History	346
Biography	<u>34</u>
Total	<u>728</u>

Even though many of the books that were accessioned during 1939-1940 are not classified as history, most of them have some historical significance.

In addition to operating the library, as such, the staff of the society also carries on a limited amount of research, usually of an informal character. Many requests for historical information are received each year, and the staff endeavors to provide the information requested. In 1939, under a special legislative appropriation of \$2,000, the society published in one volume two original diaries of the American Fur Company. These diaries covered the period from 1854 to 1856. There are no plans at this time for publishing any other of the documents that have been accumulated.

Organization and Staff of the Historical Society of Montana: The historical society of Montana is under the control of a board of trustees consisting of five members appointed by the governor with the advice and consent of the senate. This board usually meets only once a year, and the meetings are devoted principally to a review of the activities of the library during the year.

By statute, the board of trustees is authorized to appoint a librarian who in turn is employed to appoint two assistants. The salaries of the librarian and of the assistants are set by statute at \$2,100 and \$1,200 a year respectively. In actual practice, the board of trustees has appointed a librarian and one assistant, but has fixed their rates of compensation at \$2,400 a year for the librarian and \$1,800 for the assistant. These rates may not be excessive, but provisions of the statutes are specific. Until such time as the statutes may be amended the compensation rates should not exceed those established by law.

The health of the librarian does not permit him to devote full time to his position. However, during such times as he is absent from work the librarian





makes provision at his own expense for someone to assist with the operation of the library. The person who substitutes during the absence of the librarian also assists, without compensation, at other times with the work of the library. The practice of allowing employes to provide their own substitutes, even without charge to the state, should not be allowed. In this particular case it would be better to recognize the situation as it actually exists. In reality both the librarian and the person who substitutes for him are part-time employes of the state. They should, therefore, be compensated accordingly.

Location of the Historical Library: A large area of the first floor of the capitol is devoted to housing the library of the historical society of Montana. However, a 1941 statute authorizes the construction of a Montana veterans and pioneers memorial building and specifically provides that it shall be devoted to the use of various agencies, including the historical society. The building is to be constructed on or near the capitol grounds at Helena.

The question may well be raised, even at this late date, as to whether Helena is the most satisfactory location for the library materials of the society. The principal justification for collecting and preserving historical materials is that they serve a useful purpose in historical research. Therefore, the library should be located where these materials are most accessible to the students of history. It seems on this basis that they should be placed in the library of one of the units of the greater university, where research projects are being undertaken. A small saving might also result in making it possible to operate the historical library in connection with the regular library of the school. Certain duplications, particularly in periodicals, could be eliminated.

In addition to the historical research materials, the library also has certain museum pieces and other materials of sentimental, rather than research, value. These might well be displayed in the proposed new memorial building at Helena.

If the suggested move is made, the general reference materials of the historical library should be placed in the law library, which could provide the very limited requirements for the general reference service needed by the various state agencies at the capitol.

Receipts and Expenditures of the Historical Society of Montana: The historical society of Montana collects a small amount of money from the sale of its recent publication and occasionally it receives a few dollars for performing special research. In accordance with a provision of the statutes, the receipts of the society have been expended directly without legislative appropriation. Since the publication of the book, the receipts from its sale have amounted to only about \$150.

The expenditures of the society for the fiscal year 1939-1940 were as follows:

<u>Class of Expenditure</u>	<u>Amount</u>
Salaries	\$ 4,200.00
Capital and repairs	907.87
Operation	605.28
Compiling Montana history	<u>1,972.72</u>
Total expenditures	\$ <u>7,685.87</u>



The appropriations for the historical society of Montana for the fiscal year 1940-1941, and each year of the biennium 1941-1943 are as follows:

<u>Purpose</u>	<u>Amount</u>
Salaries	\$ 4,200.00
Capital, repairs, and replacement	1,600.00
Operation	<u>700.00</u>
Total appropriations	\$ <u>6,500.00</u>

Value and Cost of the Services Rendered:

It is difficult to determine the value of collecting and preserving historical materials. The state is probably justified in making some expenditure for such purposes, but these amounts should not be large.

The law library is rendering an indispensable service to the supreme court and the office of the attorney general. It is also a benefit to the practicing attorneys of the state and other persons desiring legal information. The library does not seem to be expending an excessive amount for books or for current operations, and at the same time it is rendering effective service.

Summary of Recommendations:

The recommendations expressed or implied in this report may be summarized as follows:

- \*\* (1) That the compensation paid to the librarian and assistant librarian of the historical society of Montana not exceed the rates established by law.
- \*\* (2) That employes be not allowed to provide their own substitutes, either with or without charge to the state.
- (3) That the historical research materials of the historical society be moved to the library of one of the units of the greater university in order to make these materials more accessible to students of history.
- (4) That the general reference materials in the historical library be moved to the law library; that the law library provide general reference service to the state agencies at the capitol as needed; and that the museum materials and other materials of sentimental rather than research value be moved to the proposed memorial building.

\*\* Recommendation approved by Committee and Executive Order issued by the Governor.



STATE OF MONTANA

GOVERNOR'S COMMITTEE ON REORGANIZATION  
AND ECONOMY

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VETERANS' MEMORIAL FUND COMMISSION

(Report No. 38)

November 14, 1941

Prepared by  
Griffenhagen & Associates





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## REPORT ON VETERANS' MEMORIAL FUND COMMISSION

### Introduction:

The veterans' memorial fund commission was created in 1939 as an agency to supervise the construction of a veterans' memorial building. A veterans' memorial fund had previously been established in 1927 for the purpose of constructing and maintaining such a building, and the gross receipts tax on boxing matches had been dedicated to this fund. On June 30, 1939, following the creation of the commission, the balance in the veterans' memorial fund was \$42,735.87, as shown in the 1941 legislative budget. The veterans' memorial fund commission is an outgrowth of the state's activities with respect to the regulation of boxing, but these activities are accorded separate treatment in another report of this series.

### Functions and Activities:

The 1939 act which created the veterans' memorial fund commission directed this agency to cause the construction of a veterans' memorial building on state lands adjacent to the state capitol. The commission was given power to enter into contracts, to approve claims, and to have exclusive control over the veterans' memorial fund. The commission was also empowered to formulate rules and regulations for the care and maintenance of the proposed building. The annual increments to the veterans' memorial fund, as pointed out in a report on the state athletic commission, have only amounted to slightly over \$2,400, of which a substantial fraction is interest on the invested balance of the veterans' memorial fund. With a balance of only \$42,735.87 and with an income of only \$2,400 a year, on the average, it became apparent to the commission that additional legislation was necessary if the building was to be constructed.

Accordingly, in 1941, the veterans' organizations in the state banded together with societies representing pioneers of the state and the state historical society to induce the legislature to authorize a bond issue of \$250,000. The purpose of the building was somewhat expanded by the inclusion of the other organizations, and the name of the proposed building, as designated in the 1941 act, became the "Montana veterans and pioneers memorial building." In the act authorizing the construction of this building, the power of the veterans' memorial fund commission was greatly restricted, and the state board of examiners was given



the responsibility for supervising the work. Since the 1939 act was not specifically repealed by the 1941 legislation, it is not entirely clear as to the powers remaining with the veterans' memorial fund commission. It appears that the commission still retains the power of exclusive control over the veterans' memorial fund and the power to formulate rules and regulations for the care and management of the proposed building.

#### Organization and Staff:

The veterans' memorial fund commission is composed of five members. Four members are appointed by the governor, one each from lists of five names submitted by the following veterans' organizations:

United Spanish War Veterans of Montana  
Veterans of Foreign Wars of Montana  
American Legion of Montana  
Disabled American Veterans of Montana

The fifth member is appointed by the governor from a list of four names submitted by the other four members of the commission. For the first four members, the terms of office overlap and are for four years. The fifth member serves for a one-year term. The commission selects its own chairman each year. Each member of the commission is allowed a per diem compensation of eight dollars a day while engaged in work authorized by the commission. Each member is also entitled to receive his actual traveling expenses while engaged in such work. It is reported that no member has claimed his per diem compensation since the commission has been organized. The commission has no employees.

#### The Proposed Building:

The act authorizing the issuance of the bonds sets forth the purposes for which the building is to be used. It is to be devoted to the use of the veterans' organizations which nominate the members of the veterans' memorial fund commission, the historical society of Montana, the society of Montana pioneers, and the sons and daughters of Montana pioneers. It is also to be used for housing the books, records, documents, and other property of these organizations.

Since the 1941 act was passed, some progress has been made toward beginning construction of the building. Plans have been submitted to the state board of examiners on a competitive basis by several architects, but on November 1, 1941, no definite decision on plans had been reached. During the last few months national defense priorities have restricted the market on building materials to such an extent that it will probably be both expensive and difficult to secure materials for some time.





Financing of the Proposed Building:

The 1941 act providing for the construction of a "Montana veterans and pioneers memorial building" authorizes a bond issue of \$250,000 to be expended for such purpose. These "veterans and pioneers memorial capitol building bonds of the State of Montana" may be either of the amortization or serial type. The interest rate may not exceed four percent, and the bonds must mature within 20 years from the date of issue. They are to be callable within five years after the date of issue or on any interest payment date thereafter. Payments of principal and interest are to be made from the following funds exclusively:

- (1) Moneys in the veterans' memorial fund.  
Bonds equal in amount to the cost of furnishings are to be retired exclusively from this fund.
- (2) Income derived from federal land grants for the purpose of constructing public buildings at the state capitol after the capitol building refunding bonds have been retired in 1944.  
These are the only federal land grants to the state which are not required to be maintained as endowment funds.
- (3) The balance, if any, remaining in the capitol building interest and sinking fund after the capitol building refunding bonds have been retired.

The principal source of income for the retirement of the proposed bonds will be the income derived from the federal land grants for the purpose of constructing public buildings at the state capitol. The receipts from these grants during the last three years, as shown by records of the department of state lands and investments, are listed in the following tabulation:

<u>Source</u>	<u>Amount Received</u>		
	<u>Fiscal Year 1938-1939</u>	<u>Fiscal Year 1939-1940</u>	<u>Fiscal Year 1940-1941</u>
Income from land grants:			
Lease rentals	\$ 3,874.27	\$ 3,597.80	\$ 3,964.12
Grazing fees	2,098.48	4,555.31	5,889.42
Interest on land sales	1,059.77	905.30	2,496.48
Miscellaneous	-	654.67	70.77
Total income from land grants	<u>\$ 7,032.52</u>	<u>\$ 9,713.08</u>	<u>\$12,420.79</u>
Sales of assets:			
Rights-of-way sales	\$ 13.15	\$ 1,074.45	\$ 25.00
Land sales installments	1,580.52	10,560.63	8,055.39
Timber sales	6,708.85	17,516.69	29,535.15
Mineral royalties	-	717.44	875.03
Total received from sale of assets	<u>\$ 8,302.52</u>	<u>\$29,869.21</u>	<u>\$38,490.57</u>
Total receipts	<u>\$15,335.04</u>	<u>\$39,582.29</u>	<u>\$50,911.36</u>





The total receipts from these land grants would prove adequate to retire the proposed issue of bonds, which would require approximately \$17,000 a year for principal and interest payments (assuming an interest rate of 3 percent), unless such receipts were to drop to the 1938-1939 level for a long period. This is unlikely to happen, however, since the demand for timber is expected to increase and since these land grants contain a substantial acreage of timber ready for cutting. The income from these grants, however, exclusive of that derived from sales of assets, is not sufficient to retire the proposed bonds, nor would it provide a sufficient amount if added to the net income of the veterans' memorial fund. The enabling act of congress by which Montana was admitted to the union allows the state to use both the income from, and the principal of, the land grants made for the purpose of constructing public buildings at the state capital. The legislative assembly of Montana may have intended that both income and principal be used for the retirement of the proposed bonds, but, if such was the intent, the language of the statute is not explicit. It specifies (Laws of 1941, Chapter 79, Section 7) that the capitol building refunding bonds "are payable in part from the income derived from the capitol building land grant." The act provides further that "when said capitol building refunding bonds have been paid in full, all the said income received from said capitol building land grant shall be and the same is hereby perpetually dedicated and appropriated for the payment of the principal and interest of the bonds provided for by this act."

The proposed bonds should not be issued until the question of whether or not the language of this act would allow the use of both the principal and income from the land grants for retirement of the bonds is resolved. Failure to resolve this question might make the bonds less attractive to investors and adversely affect the interest rate.

#### Value and Cost of the Building:

The proposed Montana veterans and pioneers memorial building would be a suitable memorial for the state to build, but in no sense can it be regarded as essential. There is far greater need for additional quarters for state offices, since many offices are now overcrowded and others are housed in rented quarters.

So long as the plans for the memorial building contemplate that it would be financed from athletic commission receipts, it could be regarded as a separate project in no way related to the need for office quarters. However, with the dedication of the income from the federal land grant to retire the proposed bonds, it has been given direct preference over any building for office quarters.

By this action it has now become impossible for the state to erect any additional office quarters for many years, unless the tax levy now being used to retire capitol building bonds is continued.



Because of this situation, the difficulty of securing materials at this time, and the possible incompleteness of the statutory dedication of funds previously discussed, it is suggested that the construction be not started during the current biennium. The whole policy involved in the construction of the building might well be reconsidered by the next legislative assembly. If this were done it might be possible to provide for a compromise arrangement whereby the memorial features could be combined in the same building with office quarters.



Summary of Recommendations:

The recommendations in this report may be summarized as follows:

Recommendations Not Requiring Legislation:

- (1) That the construction of the proposed veterans and pioneers memorial building be not started during this biennium because of (a) the possible incompleteness of the dedication of funds for the retirement of bonds, (b) the high cost and difficulty of securing materials, and (c) the need for reconsideration of the policy whereby the memorial building is crowding out the possible construction of office quarters.

Recommendations Requiring Legislation:

- (2) That the dedication of funds for the retirement of bonds be clarified.
- (3) That legislative consideration be given to the possibility of combining the memorial features in the same building with office quarters.





STATE OF MONTANA

GOVERNOR'S COMMITTEE ON REORGANIZATION  
AND ECONOMY

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STATE ATHLETIC COMMISSION

(Report No. 36)

November 12, 1941

Prepared by  
Griffenhagen & Associates



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REPORT ON  
STATE ATHLETIC COMMISSION

Introduction:

The state athletic commission was created in 1927 as an agency to regulate boxing and sparring matches. Prior to that date, this function had been vested in county athletic commissions established in each county by a 1919 act. These county athletic commissions were also given control over wrestling matches, a power not vested in the state commission.

Both the county athletic commissions and the state athletic commission have been closely related to the veterans' organizations of the state. The act establishing the county athletic commissions provided a tax of 50 percent of the net receipts of boxing and wrestling matches. This tax was to be paid to the state treasurer to be used for the "support and maintenance of a home for returned and disabled soldiers and sailors of the world war." The 1927 act replaced this tax with a tax of 5 percent on the gross receipts of boxing and sparring matches to be used for the erection and maintenance of a veterans memorial building. The only reason for dedicating these taxes for the use and benefit of veterans' organizations lies in the interest which veterans had in establishing boxing clubs and in promoting the sport of boxing generally.

Functions and Activities:

The state athletic commission is responsible for "the sole direction, management, and control and jurisdiction over all boxing and sparring matches and exhibitions" to be held within the state. The theory of such regulation is that it will furnish protection to the public, that it will furnish protection to the contestants, and that it will generally promote the sport to the benefit of the citizens of the State. The regulation is also designed incidentally to produce a minor amount of revenue. Most states which regulate boxing also regulate wrestling. Since the same purposes would be served in regulating wrestling as in the case of boxing, there appears to be good reason for the state of Montana to regulate wrestling, especially if the regulation of boxing is to continue.

In regulating boxing, the commission engages in the following activities:

- Issuance of licenses to clubs, referees, contestants, seconds, and physicians.
- Promulgation and enforcement of rules and regulations governing the conduct of boxing matches.
- Collection of gross receipts tax.



### Organization and Staff:

The state athletic commission is composed of three members appointed by the governor. The terms of office are for three years and are overlapping. The commission selects its chairman from among its own membership. The commission also selects its own secretary, not necessarily from among its own membership, at a salary not to exceed \$25 a month. The present secretary is not a member of the commission and is paid the maximum salary. The members of the commission receive no compensation for their services, but are reimbursed for necessary traveling expenses. By regulation, the commission has provided for the appointment of official inspectors to represent the commission at each boxing match. The compensation of such inspectors is set at \$15 for each contest in cities of 5,000 population or over and at \$7.50 for each contest in cities under 5,000 population. This compensation is payable by the club, association, or person conducting the match. During recent years, only a small number of contests have been held in the state, and some member of the commission has generally acted as its official representative with no cost to the club, association, or person holding the match. In many cases, no claims for traveling expenses have been filed. Generally speaking, the members of the commission and the secretary have been interested in boxing from the sports point of view and have combined their regulatory activities with their personal interests in the sport.

### Policies and Procedures:

One of the main interests of the commission is to promote the sport of professional boxing in the state. It endeavors, therefore, to keep petty racketeers from operating in the state in a manner detrimental to a clean sport and its followers. The commission has adopted and published rules and regulations governing the conduct of boxing in the state. These rules and regulations, apparently copied largely from those used in the state of California, appear to be adequate.

The method of tax collecting is also satisfactory. Before a boxing match may be held, a bond of \$5,000 must be posted with the state treasurer as a guarantee that the tax will be paid. Pre-numbered tickets are required, and reports covering tickets and receipts must be filed with the commission soon after the match has been held. Copies of such reports must be filed with the state treasurer.

The license fees collected by the commission are not specifically authorized by law but are provided for in the commission's rules and regulations. The amounts charged are nominal, and the license device is no doubt helpful in making the commission's regulation more effective than it could otherwise be.

### Receipts and Expenditures:

The first tax collected on boxing and wrestling matches (50 percent of net receipts) was dedicated for the construction and maintenance of a home for disabled soldiers and sailors of the first





world war. The law establishing a special fund for this purpose provided that, if, by 1929, the fund had not been used for the purpose indicated, such balance as had accumulated should be transferred to public school funds. When the state athletic commission was created in 1927, however, the balance in the special fund, \$11,098.06, was transferred to a "veterans' memorial fund" to be held for the erection and maintenance of a veterans' memorial building. The new tax on gross receipts was also to be credited to this fund. In 1939, a veterans' memorial building commission was established and empowered to erect such a building. This commission is accorded separate treatment in another report of this series.

The balance in the veterans' memorial fund as of June 30, 1940, was \$44,368.79 as shown by the 1941 legislative budget. Of this balance, \$42,208.30 was represented by investments and \$2,160.49 was represented by cash. The increment to the fund since 1927 has been \$33,270.73, an average increment per year of approximately \$2,400.00.

In the fiscal year ended June 30, 1940, the receipts of the veterans' memorial fund, according to the 1941 legislative budget, amounted to \$2,190.91. This represented collections from the gross receipts tax, license fees, and interest on investments. It is impossible to ascertain the amounts collected from each source without an analysis of the actual deposit vouchers, but it is probable that over one-half of the amount received was derived from interest on investments. In the same year, the expenditures of the state athletic commission amounted to \$557.99.

#### Value and Cost of Services Rendered:

The regulation of professional boxing, possibly because of the peculiar circumstances surrounding the growth of the sport, is a function which many states have found desirable to assume. Such regulation accomplishes the following main purposes:

- (1) It protects that part of the public which is interested in the sport from fraudulent practices of unsavory promoters.
- (2) It protects the health of contestants.
- (3) It promotes a recreational facility for a part of the public.
- (4) It provides a small amount of revenue for the state government.

Boxing has been at a low ebb in the state during the past few years, and the need for regulation has been slight. The sport seems to be more or less related to the business cycle, however, and an increase in activity may be expected over the next few years. The sport is also somewhat related to military activity, since many young men receive training in boxing while they are in the army and



many others become interested in it. During the post war period following the last war, the sport flourished in Montana and was nurtured by veterans' organizations. Similar activity may be expected during the post war period following the present conflict. It is probably desirable, therefore, for the state to continue its regulation of boxing. It might well extend its regulation to the sport of wrestling, which is probably as much in need of regulation as boxing.

Summary of Recommendations:

The only recommendation made in this report is:

That the state extend its regulatory activities to cover the sport of wrestling. This would require an amendment to the existing statutes providing for the regulation of boxing.



STATE OF MONTANA

GOVERNOR'S COMMITTEE ON REORGANIZATION  
AND ECONOMY

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MONTANA MILK CONTROL BOARD  
(Report No. 14)

September 18, 1941

Prepared by  
Griffenhagen & Associates





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REPORT ON  
MONTANA MILK CONTROL BOARD

Introduction:

The Montana milk control board was created in its present form by legislative act in 1939. It superseded a similar board provided for in 1935. This board is concerned primarily with the marketing problems of the dairy industry with emphasis on price control. The sanitary regulation of this industry is handled in part by three other agencies - the Montana livestock sanitary board; the state board of health, through its local health units; and the department of agriculture, labor, and industry. The latter department also handles marketing supervision, with particular emphasis on the protection of producers in the determination of butter fat content.

Functions and Activities:

The primary functions of the Montana milk control board are to supervise, regulate, and control the fluid milk industry of the state, including the production, transportation, processing, storage, distribution, and sale of milk. In carrying out these functions, the board is empowered to do the following:

- (1) To fix the minimum prices to be paid by the milk dealers to producers and others for milk.
- (2) To license producers, producer-distributors, and distributors of milk.
- (3) To make and formulate rules and regulations governing fair trade practices among milk dealers.
- (4) To make inspections and investigations of milk dealers.
- (5) To promote and foster dairymen's associations in the established markets.

The general plan for this control and regulation involves the designation of certain areas of the state as "markets." The boundaries of these market areas are established by the board after a majority of the fluid milk dealers in the area have declared that they are in favor of such a "market." The prices and the regulatory measures apply only to the market areas, and may vary as among the different markets of the state. There are at present 33 such market areas in Montana.

Organization and Staff:

The milk control board consists of five members. The executive officer of the Montana livestock sanitary board is ex-officio chairman and member of the board. The remaining four members are appointed by the governor for terms of four years, but he is limited in his selection to one member from each of the following groups:

- Consumers who are not engaged in the milk business.
- Producers selling to distributors.
- Producer-distributors.
- Distributors purchasing from producers.



The appointed members of the board receive, as compensation, \$5 for each day devoted to official business, plus subsistence and traveling expenses. One appointed member, who is also a state employe, does not draw his per diem. The expenses incurred by the executive officer of the Montana livestock sanitary board as a result of his service in milk control work are charged against the milk control board.

The administrative staff of the board consists of an executive secretary who receives \$3,000 a year and a stenographer who receives \$1,320. There is also a deputy of the board who serves on a part-time basis. He makes investigations in a specified area of the state and receives \$7 a day for his services. Occasionally it is necessary to employ additional clerical help.

### Policies and Procedures:

The statutes provide that the milk control board shall establish a local dairymen's association in each market area as an instrumentality of the board. It is the policy of the board to develop these associations as one of the essential elements of the program. The board is specifically authorized to return to the local organizations an amount not to exceed 10 percent of the license fees collected in the "market" to defray the costs of operating the dairymen's association. The board hopes that such local organizations will be able to work out solutions to many of their problems without the necessity of submitting them to the milk control board. The encouragement of these associations seems to be an excellent policy and should be continued. It should not only result in a saving in the cost of operating the board, but it should also place responsibility in the local community where the price control measures are of direct concern to the individuals.

The agricultural extension service of Montana state college promotes organizations known as dairy herd improvement associations. The primary purpose of these organizations is to help the dairymen to maintain production records that will enable them to improve their herds. The major activity of these associations is the employment of a person to test the butterfat content of the milk produced by each cow in the herd of each member. The cooperative arrangement among the several dairymen makes it possible to purchase the necessary equipment and to maintain a qualified tester, whereas the individual dairyman often finds that the cost of such a program is prohibitive.

As state agencies, the milk control board and the extension service should make every effort to cooperate in carrying out the various programs for which they are responsible. Such cooperation would make the services of the entire state more effective and economical besides causing less confusion among the people of the state who are confronted with several state agencies that are dealing with similar problems. It would seem, therefore, that the milk control board might well encourage the dairymen's associations to include in their programs the work of the dairy herd improvement associations. At the same time, the extension service of the state college might find it quite desirable to utilize the existing dairymen's associations in promoting the testing program rather than to attempt the establishment of separate organizations in the same areas.

In order for the executive secretary to cover the entire state in carrying out the work of the board, a large amount of travel is necessary. At present, he travels in his own automobile and receives reimbursement at the rate of five cents a mile for an estimated average of 2,750 miles a month. This indicates almost continuous use of an automobile in connection with his work. It would seem that a reduction in traveling cost would result from the purchase of an automobile by the state for the use of the secretary.



Receipts and Expenditures:

The receipts of the milk control board are derived from a license fee required of all milk dealers. This license fee, prescribed by the statutes, is determined on the basis of 600 gallons of fluid milk. The producer-distributor pays one dollar for each 600 gallons of milk that he handles, but if a producer sells to a distributor, the rate is fifty cents for each 600 gallons handled by each. Thus the rate remains the same on a specified quantity from the producer to the consumer regardless of the method of distribution.

The milk control board collected \$8,914.65 from the license fees during the fiscal year 1939-1940, and \$9,634.21 during the fiscal year 1940-1941. Prior to the current biennium these receipts were deposited in a special fund and were expendable without specific legislative appropriation, but an act of the legislature in 1941 requires that they now be deposited to the credit of the general fund of the state.

The expenditures of the Montana milk control board during the fiscal year ended June 30, 1940, were as follows:

<u>Class of Expenditure</u>	<u>Amount</u>
Salary of secretary	\$ 3,000.00
Salaries of others	1,436.20
Postage	218.00
Stationery, record books, and blanks	320.11
Sundry office supplies	66.92
Telephone and telegraph	230.88
Travel	3,239.76
Official bonds	20.00
Legal advertising	5.00
Subscriptions and periodicals	3.50
Auditing expense	12.92
General supplies and expense	67.43
Refunds	31.47
Furniture and fixtures	41.56
Buildings and attached fixtures	6.00
Machinery and appliances	<u>11.66</u>
	<u>\$ 8,711.41</u>

The legislature appropriated \$9,000 for each fiscal year of the current biennium to the milk control board. It should be the policy of the board, however, to expend no more than is collected from dairymen in the form of license fees.

Value and Cost of the Services Rendered:

The desirability of maintaining a price fixing agency for the dairy industry of Montana is entirely a matter of policy to be determined by the people of the state. Similar laws are in effect in a number of other states. There is good evidence that such price fixing has a beneficial effect on the industry, but its value to the people of the state, as a whole, is open to question. Certainly, the value accruing to the general public is too ephemeral to justify any expenditure of state funds in excess of the amounts collected from those directly benefited, even though any charges against the industry are necessarily passed on to the





consumer in the prices established. It is, therefore, suggested that, in making appropriations, a small fraction of the receipts be left to accrue to the general fund as an informal charge for overhead, accounting, financial, and other services rendered by other state agencies.

#### Summary of Recommendations:

The recommendations, expressed or implied, in this report, none of which requires legislative action, may be summarized as follows:

- (1) That the board continue the policy of encouraging the establishment of local dairymen's associations to deal with as many of the local marketing problems as possible.
- (2) That where it is feasible the local dairymen's associations assume the activities carried on by the dairy herd improvement associations and that in any case these two types of organizations maintain close co-operative relationships.
- (3) That an automobile be purchased by the board for use of the secretary in carrying out the work of the board.
- (4) That the expenditures be held to a small fraction less than is collected from producers and distributors in the form of license fees, and that the residue be regarded as an informal charge for overhead and other services rendered by other state agencies.

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MAY

MONTANA LEGISLATIVE  
COUNCIL

STATE OF MONTANA

GOVERNOR'S COMMITTEE ON REORGANIZATION  
AND ECONOMY

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MONTANA STATE BOARD OF FOOD DISTRIBUTORS  
(Report No. 3)

September 3, 1941

Prepared by  
Griffenham & Associates



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## REPORT ON

### MONTANA STATE BOARD OF FOOD DISTRIBUTORS

#### Introduction:

The Montana state board of food distributors is a new agency established by statute in 1939. The board is closely affiliated with the Montana state food distributors association, a private organization, and the activities of the two are, for the most part, indistinguishable. Headquarters for both agencies are in rented quarters in down-town Helena.

#### Functions and Activities:

The function of the board, as stated in the act creating it is

"To regulate the quality of all food sold at retail in this state, using the state and federal pure food and drug acts as the standard."

In carrying out of this function, the board is authorized to provide for the annual registration and licensing of every "food store" doing business in the state. By definition in the act, a "food store" is a "grocery store, restaurant, pool hall, hotel, or other established place regularly licensed by the state board of food distributors, in which food or drinks are compounded, dispensed, vended, or sold at retail."

The stated purpose is a direct duplication of similar responsibilities assigned to, and carried out by, the state board of health. However, in actual practice, the work of the board of food distributors is not directed toward its avowed purpose. Instead its activities are almost entirely confined to the curbing of food sales at prices less than cost under the "fair trade act" and the "un-fair practices act." The authority for engaging in work under these price regulatory acts is hidden in a clause of the act creating the board, which directs that at least half of the board's license collections shall be turned over to the Montana state food distributors association "for the advancement of the science, sanitation and public health of food distribution, and for the enforcement of this or any other law relating to food stores."

Whether or not the board has any authority to enforce other laws, except through its payments to the association is open to serious question.

#### Organization and Staff:

The three members of the board are appointed by the governor from lists of nominees submitted by the Montana state food distributors association. All members are required to be actively engaged in food distribution and the board members are ordinarily the officers of the association. The terms of the members are three years, with one term expiring each year. The board elects, from its membership a president, a vice-president, and a treasurer. A secretary who may be, but is not, a member of the board is also selected.

The members receive \$10 a day and expenses for attending meetings and the secretary receives a salary of \$2,400 a year. He also receives a supplemental salary as secretary of the association. There are no other direct employees of the board except an occasional temporary clerical employee. However, the



association employs a stenographer who works, without distinction, on both board and association matters.

These two regular employes constitute the entire paid staff of both the board and the association.

Policies and Procedures:

As previously indicated, the outstanding policy of the board has been to devote its attention to the enforcement of price control legislation applicable to food distributors and to concern itself only incidentally with the regulation of the quality of food sold.

The secretary sees to the collection of licenses, investigates complaints (dealing almost exclusively with price control), and makes inspections which cover casually such matters as sanitation. Partly as secretary of the board, but mostly as secretary of the association, he has also encouraged and assisted local food distributors in organizing local committees and associations for the purpose of policing merchandising methods.

Receipts and Expenditures:

All moneys collected by the board are deposited, in accordance with the provisions of the act creating the board, with the treasurer of the board and disbursed on warrants signed only by officers of the board. No other state officers participate in the handling of, or accounting for, the board's funds.

According to figures supplied by the board, the collections from license fees at \$2 a license, during the fiscal years ended June 30, 1940 and June 30, 1941, were as follows:

	<u>1939-40</u>	<u>1940-41</u>
Licenses issued	\$ 9,462.06	\$ 9,357.19
Less refunds on licenses erroneously issued and overpayments	<u>159.50</u>	<u>-</u>
Net collections	\$ <u>9,302.56</u>	\$ <u>9,357.19</u>

The expenditures are reported as follows:

Salaries	\$ 2,530.32	\$ 2,801.00
Board meeting expenses	633.54	820.53
Office expenses, supplies, and equipment	1,448.57	991.90
Bank charges	<u>35.85</u>	<u>75.99</u>
Total board expense	\$ 4,648.28	\$ 4,689.42
 Paid to Montana state food distributors association	 <u>4,654.28</u>	 <u>4,663.00</u>
	\$ <u>9,302.56</u>	\$ <u>9,352.42</u>



Work of the Montana Food Distributors Association:

The Montana food distributors association is supported almost entirely by the moneys it receives from the state. The only other sources of funds are contributions from certain wholesalers and distributors. These are estimated at only \$500 or \$600 a year, or some 10 per cent of the total budget of the association.

The association expends its moneys primarily to supplement the salary of the board secretary, to pay part of his traveling expenses, to furnish a stenographer for board and association work, to pay rent for joint quarters, and to publish periodic bulletins edited by the secretary.

The constitutionality of the whole act is before the courts at the present time because of the provision making a grant to the association and a temporary restraining order has been issued to prevent the carrying out of the provisions of the act. Regardless of the final determination in this case, the act violates fundamental principles of democratic government in permitting the use of the state's authority for the collection of moneys to be expended by a private organization not under official control. It is recommended that this provision be eliminated at the next session and the subsidy to the association discontinued.

If it is felt desirable to do so, the state could carry on directly any of the functions of the association that may be regarded as legitimate activities for the expenditure of state funds.

Value and Cost of Services Rendered:

The work of the board is financed entirely by the annual license fee of \$2 imposed upon "food distributors." If the board is to continue its operations, it is proper that moneys should be collected in an amount sufficient to offset the cost of operation, but the licenses collected by the board represent direct duplications of licenses required, ostensibly for the same purpose, under older statutes regulating the sale of food and drugs. The state and local health departments are properly charged with the enforcement of the older statutes.

In the light of this situation the justification for imposing separate licenses may well be questioned. Even if the same amounts are to be collected, the licenses issued by the board of food distributors should be combined with those issued by the state board of health and issued at a higher fee as a single license for each establishment. This would add no extra work in the offices of the board of health and would permit the elimination of all of this work by the board of food distributors.

Any money expended by the board of food distributors in carrying out the stated purpose of the board could be expended with more effective results by the state board of health in the extension of the services it renders in the inspection of food handling establishments.

As noted, however, the work done by the Montana state board of food distributors and by the association is concerned primarily with enforcement of the "fair trade act" and the "unfair practices act". The primary responsibility for the enforcement of the latter rests on the Montana trade commission (railroad commission), which has responsibility for enforcing the act with reference to all classes of businesses, including food distributors. Since the trade



commission has only one employe, it necessarily cannot do as thorough work as can the board of food distributors in its special field, but the solution to this problem would seem to lie in the increase of the trade commission staff, if it is necessary, rather than in the use of a separate agency to carry on a fraction of the work. (See Report No. 32, pages 9 to 11)

All in all, it is difficult to justify the existence of the Montana state board of food distributors as a state agency, and even more difficult to find any valid excuse for state support of the Montana state food distributors association. The discontinuation of the board by legislative action is **recommended**.

#### Summary of Recommendations:

The recommendations expressed or implied in this report may be summarized as follows:

- \*\*\* (1) That the Montana state board of food distributors be discontinued by legislative action unless the act cannot be so amended as to remove any duplication with existing state agencies.
- (2) That, if the board is not discontinued, the provisions for a grant to Montana state food distributors association be repealed.
- (3) That, if moneys are to be collected from food distributors to finance the work now carried on by the board of food distributors, the licenses now issued by the board be consolidated with licenses issued to the same establishments by the state board of health.

\*\*\* Recommendation approved by Committee and recommended by the Governor for legislative action.



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STATE OF MONTANA

GOVERNOR'S COMMITTEE ON REORGANIZATION  
AND ECONOMY

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VETERANS' WELFARE COMMISSION

(Report No. 42)

November 26, 1941

Prepared by  
Griffenhagen & Associates



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## REPORT ON VETERANS' WELFARE COMMISSION

### Introduction:

The veterans' welfare commission was established in 1919 soon after the armistice of November 1918 was signed. The commission comprises three members appointed by the governor and removable at his pleasure. The terms of office are not for definite periods of time. One of the present members of the commission has served since 1919, another since 1921, and the third member since 1922. They receive no compensation for their services. The commission chooses its own chairman and its own secretary.

### Functions and Activities:

The commission was originally established to spend the proceeds of a \$200,000 bond issue "for the general welfare of the veterans and the soldiers, sailors, and marines of the United States in the war with Germany and her allies, who at the time of their enlistment or induction were bona fide residents of the state of Montana, or who may hereafter become bona fide residents of the state of Montana." To promote this end the commission was empowered to "establish employment agencies, furnish employment, provide for institutions of any sort, assist the United States in any reclamation or reconstruction work that congress may provide for, make grants or loans, or expend such money in any manner whatsoever for such persons, and the enumeration of specific purposes shall not be construed to exclude other purposes, but the manner in which such funds shall be expended shall be entirely in the discretion of the commission."

The proceeds of this bond issue have long since been expended, and the work of the commission is now financed by legislative appropriations. At the time the extremely broad grant of power was made to the commission, there may have been extenuating circumstances which justified the action. At the present time, however, there appears to be no reason why the legislative assembly should not decide the manner in which its appropriations are to be spent. It is specifically recommended that the broad grant of power to the veterans' welfare commission be repealed and that the legislative assembly provide by law the purpose or purposes for which its appropriations shall be expended.

The efforts of the commission are now directed toward assisting disabled veterans to obtain the benefits of federal legislation. This involves social welfare casework and requires close





contact with administrative policies and procedures of the federal veterans' administration.

#### Organization and Staff:

The staff of the commission comprises two employes. A service officer is employed at \$3,000 a year, and a stenographer receives \$1,500 a year. The offices of the commission are located in downtown Helena. The private offices of the secretary of the commission are located in the same building, and this officer is more or less active in supervising the staff of the commission. An "office allowance" of \$300 a year is made to cover the office expenses of the secretary.

#### Administrative Policy:

It is the policy of the commission to exert every effort to obtain federal benefits for all disabled veterans who may possibly be entitled to such benefits. It serves as a clearing house or a "semi-legal" staff for such veterans who might not otherwise be able to establish their claims. It is also active, in conjunction with the various veterans' organizations of this and other states, in protecting federal legislation providing veterans' benefits and in securing additional federal legislation for the same purpose.

#### Expenditures:

The expenditures of the veterans' welfare commission for the fiscal years ended June 30, 1939 and 1940, as shown in the 1941 legislative budget, were as follows:

<u>Object of Expenditure</u>	<u>Amount Expended</u>	
	<u>1938-1939</u>	<u>1939-1940</u>
Salaries	\$4,561.70	\$4,567.50
Traveling expenses	2,220.19	1,346.59
Other expenses	2,150.43	1,693.98
Total expenditures	<u>\$8,932.32</u>	<u>\$7,608.07</u>

Appropriations of \$9,000 have been made for each year of the current biennium.

All disbursements for the expenses of the commission are made by the withdrawing of parts of the appropriation from time to time, depositing such withdrawals in a separate bank account, and writing checks signed by the secretary of the commission on this bank account. The secretary is bonded in an amount equal to the maximum balance of the bank account, and the disbursements are post audited by the state examiner. There seems to be no good reason why the expenditures of this state agency should not be subject to the pre-audit control that is exercised in the case of expenditures of other state agencies.



Value and Cost of Services Rendered:

The veterans' welfare commission has furnished and is furnishing welfare services to a special group of citizens of the state. It is also exerting pressures on the federal government to extend its services and benefits to the same special group. At a cost of less than \$10,000 a year to the state, the commission is playing some part in maintenance of federal benefit payments in the state which exceeded \$2,800,000 in 1940. The policy which the commission is now pursuing may help to relieve the state of domiciliary care of aged veterans if this responsibility is assumed by the federal government. From the point of view of the state's own finances, as divorced from those of the federal government, the maintenance of the work now performed by the veterans' welfare commission may be justified, although, in a measure, these services are very closely related to services rendered by the department of public welfare and by certain private organizations.



Summary of Recommendations:

The recommendations expressed or implied in this report may be summarized as follows:

Recommendations Not Requiring Legislation:

- (1) That the expenditures of the veterans' welfare commission be subjected to the same pre-audit control that is exercised over the expenditures of other state agencies.

Recommendations Requiring Legislation:

- (2) That the broad grant of powers to the veterans' welfare commission be repealed; and that the legislative assembly provide by law the purpose or purposes for which its appropriations shall be expended.



STATE OF MONTANA

GOVERNOR'S COMMITTEE ON REORGANIZATION  
AND ECONOMY

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STATE ARMORY BOARD

(Report No. 39)

November 15, 1941

Prepared by  
Griffenhagen & Associates





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## REPORT ON STATE ARMORY BOARD

### Introduction:

The state armory board was created by the legislative assembly in 1939. The board consists of five members appointed by the governor for indefinite terms. Vacancies on the board are filled by appointment in the same manner. The governor designates the chairman of the board and the board elects a secretary and a treasurer.

Members of the state armory board receive no compensation but are allowed expenses incurred in the performance of their duties.

Under the statutes the board is a complete political entity, with power to acquire property, to hold and lease such property, to borrow money and to issue bonds, and "to have and exercise all powers and be subject to all duties usually incident to boards of directors of corporations."

### Functions and Activities:

The only function of the state armory board is "to foster and build state armories in the State of Montana."

### Organization and Staff:

The chairman of the board is the administrative head of the agency. In the first half of November 1941 he had one full-time salaried assistant - a stenographer at a salary of \$1,200 a year.

### Building Program of the Board:

The original building program of the board provided for the construction of six armories throughout the state. This construction was to be financed in part by WPA grants of labor.

The following tabulation shows the original estimated cost of each of the proposed buildings, together with the WPA grant and the estimate of cost to the board.



<u>Location</u>	<u>Original Estimated Cost</u>	<u>WPA Grant</u>	<u>Armory Board Share</u>
Helena	\$199,037	\$119,422	\$79,615
Bozeman	108,000	64,800	43,200
Poplar	72,000	43,200	28,800
Kalispell	135,000	81,000	54,000
Harlowton	72,000	43,200	28,800
Billings	<u>145,000</u>	<u>87,000</u>	<u>58,000</u>
Total	<u>\$731,037</u>	<u>\$438,622</u>	<u>\$292,415</u>

Construction is in progress on only three of these structures - at Helena, Bozeman, and Poplar. Federal government support has been temporarily withdrawn and no federal money is currently available for construction on the other three building in the program. However, the full WPA allotment on the three buildings under construction will all be expended.

#### Cost of Buildings Under Construction:

On the basis of the original estimates, the state armory board's share of the cost of the three buildings under construction was \$151,615. On November 1, 1941, the board had expended a total of \$176,613.72 and it is evident that considerable additional expenditures will have to be made before these buildings are ready for occupancy.

The following tabulation shows for each building the original estimate of the board's share of the cost, the amount expended to November 1, 1941, the estimated amount required to finish the projects, and the present estimated total cost.

	<u>Original Estimate of Cost to the Board</u>	<u>Actual Board Expenditures to Novem- ber 1, 1941</u>	<u>Estimated Addition- al Cost</u>	<u>Total Cost to Board</u>
Helena	\$79,614.80	\$63,888.49	\$35,000	\$98,888.49
Bozeman	43,200.00	43,261.15	10,000	53,261.15
Poplar	<u>28,800.00</u>	<u>20,010.28</u>	<u>5,000</u>	<u>25,010.28</u>
	<u>\$151,614.80</u>	<u>\$127,159.92</u>	<u>\$50,000</u>	<u>\$177,159.92</u>

In addition to the costs shown in the tabulation, the board had expended \$49,453.80 on June 30, 1941, which can only be treated as an unallocated cost of these three buildings. This expenditure has been erroneously charged in total to "administration," although it covers such items as bond interest payments, architects' fees, and the like. The expenditures to November 1, 1941, therefore, totaled about \$177,000.





The estimates on the cost to complete the buildings now under construction are for labor only on the Helena and Bozeman projects. The estimate for Poplar is on the basis of the original agreement with the WPA. The chairman of the board is seeking to have the federal government, through the WPA, furnish all the material necessary to finish these structures. If the WPA does furnish all material for the Helena and Bozeman armories, the board's share of the total finished costs of the three buildings now under construction will be about \$227,000. To this should be added administration costs until completion, estimated at about \$6,000, making a grand total cost to the board of \$233,000 as compared with the original estimate of \$151,615.

#### Revenues from Rental of Armories:

It was the apparent intent of the act which created the board that all expenses incurred for construction and administration were to be paid from rentals on the buildings, either directly or through repayment of borrowed funds. No provision was made in the act for administrative or other expenditures. The board, to date, therefore, has been under the necessity of drawing on the proceeds of bond sales to cover any and all expenses it incurs.

All the buildings in the program, with the exception of the one at Helena, are designed so they may be used for municipal purposes and leases have been executed with the cities of Bozeman and Poplar for the use of the buildings upon their completion. The adjutant general's office, in behalf of the state, has also agreed to pay certain rentals.

The annual revenues from leases on the three buildings now under construction are estimated as follows:

<u>Location</u>	<u>Adjutant General Office</u>	<u>City</u>	<u>Total</u>
Helena	\$8,814.62	\$ -	\$8,814.62
Bozeman	1,800.00	2,021.20	3,821.20
Poplar	600.00	1,872.50	2,472.50
Total	<u>\$11,214.62</u>	<u>\$3,893.70</u>	<u>\$15,108.32</u>

It must be borne in mind that the board has no source of revenue other than rentals and all costs must be financed from such rentals.

Leases for the use of these armories were, of necessity, made in advance of construction and on the basis of preliminary estimates of costs to the board. Since the actual costs have exceeded the estimated costs by about 50 percent, the revenues in the form of rents will be inadequate to meet financing charges.



Financing of the Building Program:

In order to finance a building program the board sold \$225,000 of 3-3/4 percent revenue bonds on July 1, 1940. These bonds were issued as callable bonds and were called and cancelled on July 1, 1941, when an issue of \$420,000 refunding bonds were sold. The 1941 issue bears interest at the rates of 2-1/2, 2-3/4, and 3 percent and made possible a considerable saving in interest costs. Part of the \$420,000 was used to pay interest due and to retire all of the \$225,000 of the previous issue.

The \$420,000 of bonds sold are part of an authorization of \$450,000. The balance of \$30,000 is held on option for possible future sale. The bonds are callable in the order of maturity, with the earliest maturities subject to call first. The call price is at a premium of three percent to July 1, 1946, two and a half percent to July 1, 1951, two percent to July 1, 1956, one percent to July 1, 1961, and without premium thereafter.

The first payment of principal on the \$420,000 issue is due on July 1, 1943. From that date principal payments ranging from \$6,000 to \$14,000 are due each January 1 and July 1 to July 1964.

The cost of liquidating the issue in its present form is shown in the following tabulation:

<u>Year</u>	<u>Principal Payment</u>	<u>Interest Charges</u>	<u>Total</u>
1942	\$ -	\$11,675.00	\$11,675.00
1943	6,000	11,675.00	17,675.00
1944	12,000	11,450.00	23,450.00
1945	12,000	11,150.00	23,150.00
1946	16,000	10,825.00	26,825.00
1947	16,000	10,425.00	26,425.00
1948	16,000	10,025.00	26,025.00
1949	16,000	9,625.00	25,625.00
1950	16,000	9,225.00	25,225.00
1951	16,000	8,825.00	24,825.00
1952	18,000	8,415.00	26,415.00
1953	20,000	7,892.50	27,892.50
1954	20,000	7,342.50	27,342.50
1955	20,000	6,892.50	26,892.50
1956	20,000	6,442.50	26,442.50
1957	20,000	5,892.50	25,892.50
1958	20,000	5,130.00	25,130.00
1959	22,000	4,530.00	26,530.00
1960	24,000	3,840.00	27,840.00
1961	26,000	3,120.00	29,120.00
1962	28,000	2,310.00	30,310.00
1963	28,000	1,470.00	29,470.00
1964	28,000	630.00	28,630.00
Total	<u>\$420,000</u>	<u>\$168,807.50</u>	<u>\$588,807.50</u>



With revenues from rentals fixed by present leases at \$15,108.32, and with no other income available, it is evident that, unless steps are taken to reduce the cost of retiring outstanding bonds or to increase revenues, the moneys available will be insufficient to meet the first maturity in 1943 and subsequent maturities thereafter, throughout the life of the issue.

The alternative to default is the use of the balance of the proceeds of the bond sale for payment of principal and interest charges over and above the \$15,108.32 rentals. This procedure is generally regarded as about the worst possible form of financing and would result merely in postponing default for several years. It would, however, increase the actual amount of default over the life of the bond issue.

The board has been paying interest charges from the proceeds of the bond sale. This procedure may be readily justified during the construction period and before occupancy. Beyond that time there will be no justification for such payments.

The statutes refer to the rental charges to be made against the state as follows: "The rent charged to the state of Montana shall not be in excess of the amount necessary for the retirement of bonds secured by the property leased by the state, and other expenses incident thereto, including cost of operation."

This part of the law might be interpreted to obligate the state for the payment of principal and interest on armory board bonds. This interpretation would make armory board bonds, to all intents and purposes, practically general obligations of the state and would make it possible for the armory board to increase the rentals to the state to an amount sufficient to pay all expenses incident to the operation of the buildings, interest, and maturities of the bonds as they become due.

If the state is to put itself in the position of practically assuming liability for the payment of interest and principal on the bonded indebtedness of the armory board, a sounder policy would be for the state, on all future armory bonds, to sell full faith and credit bonds of the state, and take advantage of the lower interest rates state bonds enjoy. This differential in interest rate would probably never be less than one percent. If the issue now outstanding had been sold as a general obligation of the state it is entirely possible that the sale would have been made at a saving of not less than one and a half percent in the interest rate now being paid. A reduction of one and a half percent on present rates would amount to about \$100,000 over the life of the bonds.

It is recommended that any future issues of armory board bonds be revenue bonds backed by the full faith and credit of the state of Montana.





Proposed Method of Financing the Present Bonded Indebtedness of the Board:

It is probable that the "temporary" withdrawal of WPA assistance from the construction of the other three proposed buildings will be of long duration. There is little prospect of such aid until the defense crisis has been passed, which in the opinion of informed men may not be for several years. It is recommended that all activities incident to the proposed buildings at Kalispell, Harlowton, and Billings be discontinued and that those projects be dropped until federal aid in large amounts is available.

On November 13, 1941, the armory had on deposit the sum of \$209,818.94. On the same date there were unpaid bills and architects' fees due in the amount of some \$10,000, leaving about \$200,000 available for the use of the board.

It is estimated that it will require about \$50,000 to complete the armories now under construction. In addition to this amount there will be a payment of interest on bonds due January 1, 1942, amounting to \$5837.50. No rentals will be collected prior to that date and the interest will, of necessity, be paid from the funds now on hand. The board will also need a small amount to finance its administrative costs during the biennium - say \$5,000. The board will, therefore, need about \$61,000 of the \$200,000 on hand and unencumbered, leaving an idle balance of \$139,000.

Under the terms of the bond issue, the board may ask for tenders of outstanding bonds for purchase and cancellation or it may call and cancel in the order of maturity. If the board elects to call any of the outstanding bonds it will be compelled to pay a premium of three percent or \$30 on each \$1,000 bond so called. A cursory canvass of the market for these bonds was made and it was found that the bonds were being offered at from \$1,010 to \$1,030 each, depending on the maturity. It is probable, however, that if the board asked for tenders, the offers would be made at approximately \$1,030, the call price.

The alternative is to call and cancel as many bonds as possible to avoid the payment of interest on idle money. Under the provisions of the bond sale, advertisement for a call must be made 30 days in advance of any interest date. January 1, 1942, is the next date on which interest is due. If the board is to take advantage of the callable clause in the issue, it must act before December 1, 1941.\*

Allowing a reserve of \$21,000 to meet any emergencies and contingencies that may arise, it would be safe for the board to call and cancel all maturities up to and including those due on January 1, 1951. These maturities amount to \$118,000. If this is done there will be no principal payments due until July 1951.

\*Note: On the basis of discussions incident to the preparation of this report, the board, on November 14, 1941, ordered a call for the retirement of \$118,000 of bonds.





The interest costs will be \$10,000 in 1942 and \$8,525 a year thereafter to 1952. In 1952 principal and interest would be due in the amount of \$26,415. The carrying charges in subsequent years amount to about \$27,000 a year. However, if the board deposits in a sinking fund the difference between the \$15,000 rentals, less \$2,000 for administrative expenses, and the interest charges in the early years, all interest and principal charges can be met until the principal maturities due in 1955. At that time the principal outstanding will be \$226,000.

In 1955 a general refunding of the entire outstanding balance could be resorted to, or rentals to the state could be increased to meet bond charges.

If the state were to appropriate from general revenue a small annual amount for administrative purposes, the present rentals would finance all costs until about 1957.

It is recommended that the board call and cancel not less than \$118,000 of its outstanding bonded indebtedness.

#### Future Building Program:

When federal funds are again available for construction of more armories in the state close estimates of the cost of construction and the financial costs of a bond issue for construction should be made and rentals fixed that will cover these costs, with a reasonable margin for safety. The present method of building with WPA assistance renders practically impossible any reasonably accurate forecast of costs. The only method whereby such an estimate would be possible, would be through a direct grant of money from some federal agency, which would permit contracts to be let with full knowledge of the ultimate cost of construction.

Great care should be exercised in any future borrowing to meet construction costs on contemplated armories, to so arrange maturities on bond issues that they fit in with present obligations. This might make it possible to postpone default beyond the time indicated in this report. In this connection it must be borne in mind that revenues from rentals on all armories are deposited in a sinking fund to pay interest and principal on all bond issues.



Summary of Recommendations:

The recommendations expressed or implied in this report may be summarized as follows:

Recommendations Not Requiring Legislative Action:

- (1) That all activities incident to the proposed armory buildings at Kalispell, Harlowton, and Billings be discontinued; and that those projects be dropped until federal aid in large amounts is available.
- (2) That, to reduce interest charges, the state armory board call and cancel not less than \$118,000 of its outstanding bonded indebtedness.
- (3) That, to insure proper financing, all future projects be constructed on a contract basis with direct grants of money from some federal agency.
- (4) That great care be exercised in the sale of any future bond issues in so arranging maturities that they will fit in with maturities on present obligations.

Recommendations Requiring Legislative Action:

- (5) That, to reduce interest charges, any future issue of armory board bonds be revenue bonds backed by the full faith and credit of the state of Montana.



STATE OF MONTANA

GOVERNOR'S COMMITTEE ON REORGANIZATION  
AND ECONOMY

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CUSTODIAN OF RECORDS OF THE GRAND ARMY OF THE  
REPUBLIC AND THE UNITED SPANISH WAR VETERANS  
(Report No. 17)

October 2, 1941

Prepared by  
Griffenhagen & Associates





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## REPORT ON

# CUSTODIAN OF RECORDS OF THE GRAND ARMY OF THE REPUBLIC AND THE UNITED SPANISH WAR VETERANS

### Introduction:

The office of the custodian of records of the Grand Army of the Republic and the United Spanish War Veterans was created in its present form by legislative act in 1915.

### Functions and Activities:

The principal functions of the custodian are to store and exhibit relics, mementos, archives, and documents of the civil war and the Spanish American war. These historical materials may include any articles which the department of Montana of the Grand Army of the Republic or the department of Montana of the United Spanish War Veterans may desire to collect and preserve as a part of the history of the state. The present collection of such materials is relatively small.

### Organization and Staff:

The governor is empowered and directed to appoint the custodian, but is limited in his selection to some member of the department of Montana of the Grand Army of the Republic or a member of the department of Montana of the United Spanish War Veterans, and the commander of either of these organizations may recommend to the governor a suitable person for appointment.

The present custodian serves on a part-time basis and receives \$900 a year for his services. There are no other employes of the state engaged in this work. The salary of the custodian is the only expenditure for the office that is authorized by the appropriations for the current biennium.

### Location of the Custodian's Office:

The governor and the secretary of state are directed by the statutes to set apart a suitable room in the capitol building for the storing and safe-keeping of the archives, records, and other property of the Grand Army of the Republic and the United Spanish War Veterans. The room now occupied by the custodian is located on the fourth floor of the capitol.

Even though the office of the custodian is on the fourth floor of the capitol, there is a larger collection of war relics exhibited in cases on the first floor of the capitol than in the room occupied by the custodian. These materials on the first floor are located close to the library of the historical society of Montana. Apparently neither the custodian nor the librarian devote any time to collecting or preserving these relics. The only care given them is the routine cleaning of the cases by the capitol custodian.



As soon as the war veterans memorial building is completed, all of the historical relics of the state will be moved to this building. However, it will be some time before the building is completed and several state agencies are considerably handicapped by lack of adequate space. Therefore, it would seem desirable to move the war relics in the custodian's office to the first floor to be housed with the materials now located there. The custodian could be provided space for a desk in the library of the historical society of Montana or, if that agency is moved as recommended in another report of this series, a small space could be provided, probably on the first floor, to serve as an office for representatives of the two agencies.

#### Value and Cost of Services Rendered:

The functions of the custodian of the records of the Grand Army of the Republic and the Spanish War Veterans are closely related to those of the historical society of Montana. The cost of operating these two agencies should be considered together in determining the expenditures for collecting and preserving historical materials in the state. The amount of expenditures justified for these two agencies is difficult to determine, but in no case should it be large.

#### Summary of Recommendations:

The recommendations made in this report are as follows:

- \*\* (1) That, in order to provide more office space for other state agencies, the custodian and the records of his office be housed with the historical society of Montana.
  - \*\*\* (2) That, in order to make available to the public the valuable records of the Grand Army of the Republic, the United Spanish War Veterans, and other veteran organizations not now regularly open to the public, this collection be transferred to, and placed under the supervision of, the historical society of Montana; and that the position of custodian of these records be abolished.
- \*\* Recommendation approved by Committee and executive order issued by Governor.
- \*\*\* Recommendation approved by Committee and recommended by the Governor for legislative action.

The first part of the report deals with the general situation of the country and the progress of the work. It is followed by a detailed account of the various projects and the results obtained. The report concludes with a summary of the work done and the conclusions reached.

The second part of the report deals with the results of the various projects. It is followed by a detailed account of the various projects and the results obtained. The report concludes with a summary of the work done and the conclusions reached.

The third part of the report deals with the results of the various projects. It is followed by a detailed account of the various projects and the results obtained. The report concludes with a summary of the work done and the conclusions reached.

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